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# CALIFORNIA ECONOMIC INDICATORS

## November 1989

DEPARTMENT OF FINANCE

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## INTRODUCTION

*California Economic Indicators* is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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## REVIEW OF ECONOMIC DEVELOPMENTS

California economic activity continued to advance at a moderate pace during the autumn months. Non-agricultural wage and salary employment grew by more than 100,000 between August and November, with all sectors except mining and state and local government contributing to the increase. However, about 30,000 of the increase was attributable to the end of a labor dispute in the communications industry.

In sharp contrast to the national experience of declining factory employment, manufacturing industries in California added more than 10,000 jobs in the most recent three months, nearly all in the durable goods sector. Construction grew by more than 6,000 and utilities (excluding the effects of the strike) also added about 6,000 workers. Service industries increased almost 30,000 jobs, while wholesale and retail trade were up nearly 10,000 from late summer.

Year over year growth in nonfarm employment amounts to a rather weak 2.5 percent. This figure should be interpreted with some caution, however. The interim benchmark employment series used here was distorted in late 1988 by the immigration amnesty program, which provided a one-time boost to reported employment, and by tax induced bonus payments to principals in professional corporations and other small businesses. Many proprietors and partners counted themselves as "employed" only during the month they received their bonus payments.

For months after June, the 1989 interim employment estimates reflect growth in the official wage and salary series, which is based on a sample favoring larger firms. It is reasonable to expect that, when actual fourth quarter payroll data are available next spring, there will be upward revisions to the more recent interim employment figures, again reflecting bonus activity among smaller firms.

The unemployment rate in November was 5 percent. Although fluctuating from month to month, the state's jobless rate has averaged 5 percent for the first 11 months of the year.

In recent weeks, increased attention has been focused on several potential problems in California's economy. Defense spending cuts, declining home prices and the northern California earthquake, according to this reasoning, could combine to dampen growth in the state's economy in the near future. Clearly, California's economy is slowing to some degree, in line with the national experience. But the continued growth in manufacturing employment in the face of sustained national weakness, to cite one example, suggests that the state's economy remains on a solid footing.

**Quake Effects.** It is difficult to find effects of the October 17 earthquake in the employment data. The quake occurred after the October employment survey week, so the effects are first reflected in the November labor market report. The jobless rate rose only 0.2 percent from October to November, a modest change, given customary monthly swings in this statistic.

Initial unemployment claims in the six counties most affected increased by about 10,000 during the four weeks following the quake compared to the like year-ago period, but monthly data for the State indicate a substantial reduction in the number of claims for all of November. Employment growth in some industries, notably retail trade and hotels, might have been stronger in November without the earthquake, but strong growth in utilities and construction were probably associated with repair and rebuilding efforts. There appears to have been virtually no loss in manufacturing jobs, although hours worked were likely curtailed in the days and weeks immediately after the quake.

Physical damage amounted to less than 1 percent of the region's capital stock, and while there are no figures yet available on retail trade, anecdotal evidence suggests, for the most part, a redistribution rather than a reduction in sales. The hotel industry has felt some impact in terms of numbers of guests, but no major conventions or meetings have canceled or moved.

None of this is to minimize the effects of the earthquake on local areas such as Santa Cruz, Los Gatos, Watsonville and parts of San Francisco and Oakland. However, overall negative effects appear to be relatively small on a regional basis, and rebuilding and repair will actually add to economic activity in 1990 and 1991.

The most noticeable effect of the quake will appear in the personal income statistics. In personal income, uninsured private damage is treated as an expense in rental and proprietors' income. Rental income in this case includes the rent imputed to homeowners. The U.S. Department of Commerce, Bureau of Economic Analysis indicates that fourth quarter rental income was reduced by $6.2 billion at an annual rate (i.e. four times the actual loss, after insurance), while proprietors' income was $1.3 billion less than without the quake.

For California, this will mean that rental income will be a negative $4 billion in the fourth quarter (ongoing $2 plus billion of rental income, less the $6.2 billion loss), and proprietors' income will show little growth or a small decline. Despite these reductions, California income will probably show healthy growth in the fourth quarter, but less than would have been the case without the quake.

Of the $7.2 billion in total damage, about $3 billion was to public structures which do not directly affect the income accounts. Rebuilding of the public infrastructure, however, will add to income in the months and years ahead, especially since a substantial portion of the work will be paid for by the Federal government.

Of the remaining $4.2 billion, about half is attributable to corporations, and will affect profits but not personal income. In turn, about half of the profits reduction is to insurance companies throughout the U.S. (and probably some members of the London market), and will actually help in the repair process.

Overall, the quake will have reduced California income growth this year by about 0.3 percent, but restoration of normal rental and proprietors' income, plus the effects of rebuilding, will add at least 0.5 percent to income growth in 1990.

In addition to the quake, any comparison between California and U.S. personal income for 1989 must take into account the effects of the 1988 drought. Recovery from the drought added more than 1/2 percent to U.S. income in 1989, but did not affect California figures. As a result of these special factors, California personal income growth may not match the U.S pace for the first time in many years.

**Defense Dropoff?** A second element of concern relates to the outlook for the state's aerospace industry, given the reduced growth in the Department of Defense budget. This has been given new impetus by the recent events in eastern Europe, and by news of $190 billion in defense budget "cuts" proposed over the next five fiscal years. In fact, even these proposed cuts amount to reductions in growth in nominal terms, although there would be reductions in real terms.

Several factors should be kept in mind when assessing the impact of the defense budget on California's economy. First, defense related industries are about half as important to the state's overall economy today as they were 20 years ago. Second, cuts in defense budgets affect actual employment and output with a considerable lag. Defense contracting peaked in 1985, but related manufacturing continued to grow through 1988. Thus, the currently discussed reductions would not be felt until well into the next decade.

Third, the defense budget impact is being substantially cushioned by booming demand for commercial aircraft, witness the continued growth in aircraft employment even as the massive B1 bomber program came to an end. At the same time, the space agency budget--which is also quite important to California contractors--is under considerably less pressure than defense outlays.

It also remains to be seen exactly how future defense budgets will be shaped. Developments in Europe argue for cuts in ground forces, which are less important to California industry. On the other hand, there is a strong case for maintaining R&D expenditures, which are relatively important to the state, even if overall systems and manpower outlays are reduced.

Taking a broader view, to the extent that lower defense budgets help reduce the Federal budget deficit, the resulting lowering of interest rates and freeing up of economic resources will benefit broad segments of the economy, not only in California, but throughout the nation. At most, defense budget developments may knock a few tenths of a percentage point off California economic growth in the short run, but even these effects would eventually be offset by the benefits of narrowing the Federal budget gap.

**What Happened to Housing?** Recent data on California homebuilding and sales have attracted attention. In particular, median

existing home prices have fallen from about $203,000 in July to $193,000 in October. Year over year price increases are in single digits, after reaching almost 28 percent in February. Sales volume has been running below the year ago pace since April.

It is probably true that some houses sold during the spring to early summer bubble would fetch a lower price today than they did in May or June. Much of the price decline, however, reflects a shift in volume to less expensive inland areas and changes in the size and characteristics of houses sold. In any case, the soaring prices were clearly not sustainable on any underlying economic grounds. The last time such rapid price increases were seen, the overall inflation rate was in double digits, as compared to the current 4 percent or so, and assumable fixed rate mortgages made a home purchase almost too attractive to pass up.

New home construction was also somewhat disappointing during the summer months, averaging a 224,000 unit annual rate. As a result, California homebuilding in 1989 will fall short of last year's 250,000 unit production, and even somewhat below earlier expectations of 235-240,000 units. But the drop in construction has been no more severe than the national experience, and California continues to build more than one in six new houses in the United States.

One surprise, both nationally and in California, has been the failure of the housing markets to respond to the more than 1 percentage point drop in mortgage interest rates since March. Indeed, both construction and resale activity have weakened as interest rates have declined. But the drop in mortgage rates may be more apparent than real, at least to potential buyers.

The mortgage data, which try to capture the effective interest rate over the first several years of the loan, do not fully reflect the effect of the low initial or "teaser" rates which were commonly offered on adjustable rate instruments until last year. Many lenders discovered that the adjustment to market rates was a painfully slow process, and teaser rates were far less common in 1989 than in previous years.

By most measures, California's economy continues to perform well compared to the national average. The earthquake effects have been remarkably mild on a regional and statewide basis. Diversification has substantially dampened the effects of the defense budget on the state's economy. The end of a brief speculative bubble in the house resale market should be viewed as a positive rather than negative development.

## WHERE IT ALL GOES

The Consumer Price Index is the most widely recognized and closely followed measure of price changes in the U.S. But how does the Bureau of Labor Statistics know which goods and services to price--and in what quantities--when it compiles the index? The answer is that the Bureau is constantly surveying consumers, asking how they spend their money. The surveys, which include interviews, covering mostly larger outlays, and detailed diaries for day-to-day purchases, tell the statisticians how we spend our money and therefore which items should be included on the CPI shopping list.

A by-product of the CPI effort, the Consumer Expenditure Survey (CES) provides a fascinating look at how Americans spend their incomes. Indirectly, it tells us what the "cost of living" is, for the nation as a whole, in the larger metropolitan areas, and for households of various ages and levels of income. Although the CPI is often known as the "cost of living" index, in fact this closely watched gauge only reflects *changes* in prices, not the actual price *level*.

Until the early 1980s, the Bureau published Urban Family Budgets for the nation and larger metropolitan areas. These budgets were based on price information gathered in the monthly CPI surveys, and to some extent incorporated the findings of the expenditure surveys. But the budgets also reflected particular notions of how Americans should live and what a "normal" family unit might be. Thus, the budgets reflected hypothetical spending patterns for that "typical" American family of four: working husband, nonworking wife, a boy age 11 and a girl age 8. Apart from the fact that this family became less and less typical, the items priced were not necessarily the goods and services actually purchased, but rather the kinds of things experts felt they ought to buy.

The CES makes no judgments. It reports how people, in various places and circumstances, actually spend their money. In the mid-1980s, the average American household contained 2.6 people, including only 0.7 children and 0.3 persons age 65 or over. In the Los Angeles five-county area, there were 2.8 persons per household, but in the 10-county San Francisco Bay region, there were only 2.4 people in the average household. On average, an American "consumer unit" or household spent $22,733 in 1984-85. About $3,000 of that amount went for gifts, contributions, life insurance and

**AVERAGE ANNUAL EXPENDITURE, CALIFORNIA METRO AREAS**

**Average, 1984 and 1985**

| | US Average | Los Angeles | San Francisco | San Diego | Percent Distribution US | LA | SF | SD |
|---|---|---|---|---|---|---|---|---|
| Annual expenditure | 22,733 | 28,157 | 30,376 | 25,053 | 100.0 | 100.0 | 100.0 | 100.0 |
| Food | 3,384 | 4,038 | 4,037 | 3,664 | 14.9 | 14.3 | 13.3 | 14.6 |
| Food at home | 2,004 | 2,178 | 1,890 | 2,116 | 8.8 | 7.7 | 6.2 | 8.4 |
| Food away from home | 1,381 | 1,860 | 2,147 | 1,548 | 6.1 | 6.6 | 7.1 | 6.2 |
| Alcoholic beverages | 291 | 497 | 607 | 355 | 1.3 | 1.8 | 2.0 | 1.4 |
| Housing | 6,881 | 8,962 | 10,837 | 8,707 | 30.3 | 31.8 | 35.7 | 34.8 |
| Shelter | 3,661 | 5,625 | 7,095 | 5,364 | 16.1 | 20.0 | 23.4 | 21.4 |
| Homeowners | 2,162 | 3,055 | 3,940 | 2,911 | 9.5 | 10.8 | 13.0 | 11.6 |
| Renters | 1,125 | 2,004 | 2,789 | 2,215 | 4.9 | 7.1 | 9.2 | 8.8 |
| Hotel/other | 375 | 566 | 517 | 238 | 1.6 | 2.0 | 1.7 | 0.9 |
| Utilities | 1,643 | 1,378 | 1,385 | 1,421 | 7.2 | 4.9 | 4.6 | 5.7 |
| Operation & supplies | 647 | 783 | 1,082 | 836 | 2.9 | 2.8 | 3.5 | 3.3 |
| Furniture & equipment | 931 | 1,176 | 1,275 | 1,085 | 4.1 | 4.2 | 4.2 | 4.3 |
| Apparel | 1,370 | 1,676 | 1,582 | 1,469 | 6.0 | 6.0 | 5.2 | 5.9 |
| Transportation | 4,446 | 5,651 | 5,336 | 4,754 | 19.6 | 20.1 | 17.6 | 19.0 |
| Vehicle costs | 4,184 | 5,292 | 4,572 | 4,416 | 18.4 | 18.8 | 15.1 | 17.6 |
| Public transportation | 262 | 359 | 764 | 338 | 1.2 | 1.3 | 2.5 | 1.3 |
| Health care (incl ins.) | 1,079 | 1,176 | 1,054 | 937 | 4.7 | 4.2 | 3.5 | 3.7 |
| Entertainment | 1,113 | 1,329 | 1,571 | 1,453 | 4.9 | 4.7 | 5.2 | 5.8 |
| Personal Care | 296 | 415 | 398 | 326 | 1.3 | 1.5 | 1.3 | 1.3 |
| Reading | 137 | 134 | 193 | 134 | 0.6 | 0.5 | 0.6 | 0.5 |
| Education | 312 | 352 | 270 | 318 | 1.4 | 1.3 | 0.9 | 1.3 |
| Tobacco | 224 | 195 | 178 | 173 | 1.0 | 0.7 | 0.6 | 0.7 |
| Miscellaneous | 490 | 628 | 744 | 424 | 2.2 | 2.2 | 2.4 | 1.7 |
| Cash contributions | 756 | 805 | 1,056 | 503 | 3.3 | 2.9 | 3.5 | 2.0 |
| Life & pers. insurance | 289 | 224 | 208 | 206 | 1.3 | 0.8 | 0.7 | 0.8 |
| Pension and Soc Security | 1,668 | 2,076 | 2,307 | 1,629 | 7.3 | 7.4 | 7.6 | 6.5 |

pension and Social Security contributions. The remaining $18,700 was spent on household consumption: food, housing--mortgage interest and property taxes for homeowners, rent for renters--apparel, transportation, health care, entertainment and the like.

**EXPENDITURES BY METROPOLITAN AREA**
**1984-85**

| | Total | Housing |
|---|---|---|
| Washington, DC | 33,499 | 10,975 |
| Dallas-Fort Worth | 32,838 | 10,235 |
| Anchorage | 30,472 | 10,538 |
| San Francisco | 30,376 | 10,837 |
| Los Angeles | 28,157 | 8,962 |
| Honolulu | 26,803 | 7,493 |
| Houston | 25,645 | 7,920 |
| Atlanta | 25,528 | 8,450 |
| Chicago | 25,234 | 7,861 |
| San Diego | 25,053 | 8,707 |
| Detroit | 24,964 | 7,428 |
| New York | 24,907 | 7,753 |
| Minneapolis-St.Paul | 24,721 | 7,730 |
| Philadelphia | 24,073 | 7,135 |
| Boston | 24,004 | 8,497 |
| Miami | 23,971 | 8,057 |
| Seattle | 23,879 | 7,563 |
| Baltimore | 23,203 | 7,025 |
| U.S. Average | 22,733 | 6,881 |
| Kansas City | 22,445 | 6,590 |
| Cleveland | 21,501 | 6,048 |
| St. Louis | 21,044 | 6,117 |
| Cincinnati | 20,750 | 5,914 |
| Portland | 20,664 | 6,539 |
| Pittsburgh | 20,586 | 5,705 |
| Buffalo | 19,120 | 5,433 |
| Milwaukee | 18,728 | 6,168 |

In California, we spend more. Bay Area residents spent over $30,000 on average (including gifts, contributions, pensions, etc.), some 34 percent more than the national average. The Los Angeles area figure of over $28,000 was 24 percent more than the U.S. figure, while San Diegians got off relatively cheaply, at $25,000, only 10 percent above the average.

Do these figures reflect the cost of living, the money available to spend, or differing consumption patterns? The answer is probably a little of each. Spending for some items, such as housing, no doubt reflect local costs faced by consumers in various areas of the country. But, local preferences may play a role in other items. For example, Bay Area residents spend more than twice as much as the national average on alcoholic beverages, despite the fact that prices are probably a bit lower than average. The difference could represent greater consumption (San Francisco has a certain reputation in this regard), but a more likely explanation lies in the mix of spending, which probably favors premium, locally grown varietal wines over, say, beer or distilled spirits.

Housing and transportation are the two big ticket items in the American budget. On average, we spend more than 30 percent of our outlays to house ourselves, and another 20 percent to get away from home. Not surprisingly, we spend almost all of our transportation money on buying and maintaining cars and trucks. But Californians don't spend proportionately more than the national average.

Both Bay Area and San Diego residents spend less than the national average on vehicles, and even in the Los Angeles area, the vehicle share is not significantly different from the national average. All three areas report above average expenditure on public transport (including interurban), with the Bay Area's 2.5 percent more than double the national share.

The figures reported here are averages, and can sometimes be a little misleading. Transportation, for example, includes purchases of new cars and trucks, at a little over $1,400 per household nationally. Obviously, a new car costs a lot more than that, but only one household in eight actually bought one during the survey year.

The housing numbers are even more confusing. First, for homeowners, the actual purchase of a house is not included. Neither is the principal portion of the mortgage payment. This is because a house is considered an investment, not consumption. What is included for homeowners is mortgage interest, property taxes, and insurance, and for both homeowners and renters, utilities, household supplies, operation expenses, and home furnishings and appliances (radios, TVs and stereos, however, are included under entertainment).

Also, the amounts shown for homeowners and renters are averages spread across all households (i.e., total homeowner outlays are divided by total renter plus homeowner households). Thus, in California, where renters and homeowners are split about 50/50, the amounts shown for homeowners and renters are about half what the average homeowner or renter actually pays.
Not surprisingly, given the importance in the budgets, housing is the source of the greatest variation among areas. Bay Area residents spend $4,000 more on housing than the

national average, and allocate 36 percent of their expenditures to their homes, compared to 31 percent nationally.

All three California areas rank among the highest ten in total household spending, and rank second (Bay Area), fifth (Los Angeles) and sixth (San Diego) with respect to housing outlays. The lowest spending areas are in the Midwest, with the exception of Portland, Oregon, which ranks fourth from the bottom. Somewhat surprisingly, both Dallas-Fort Worth and Houston are among the top ten, as is Atlanta, perhaps belying the "low-cost sunbelt" image. On the other hand, both Boston and New York, which have pricey reputations, are solidly in the middle of the pack in terms of actual spending patterns.

National survey data provide interesting cross-sectional information with respect to income groups and age groups in the population, and are also available on a more timely basis. The most recent national survey data are for 1987, when average household spending was $24,000.

Households where the "reference person" (householder) is under 25 or 75 and older report the lowest annual spending, $14,400 and $12,200, respectively. Housing and food claimed an above average share of both younger and older household budgets. Transportation was well below average for the older group, but health care was much higher. The younger group allocated over 4 percent to education, more than twice the percentage of any other age group.

Peak outlays were reported in the 35-44 and 45-54 age groups. Among prime working age households (25 to 64), housing claims its highest share in the 25-34 group. Households in the 35-44 age group allocate the highest share to apparel, and the 45-54 group spend the largest share on transportation, reflecting higher outlays to buy new cars and trucks.

The 25-34 group is currently the largest numerically, but the 35-44 and soon, the 45-54 groups, are the fastest growing. If current spending patterns hold over time, the years ahead would see increasing shares of spending allocated to clothing and new car buying and a declining share claimed by housing. Entertainment's share of outlays peaks in the 25-34 group, but actual dollar spending is higher among 35-44 year-olds. The aging of the population may result in slower growth in entertainment spending in the years ahead.

SPENDING BY AGE AND CATEGORY, 1987

Percent Distribution

| | U.S. Total | Under 25 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 | 75 and over |
|---|---|---|---|---|---|---|---|---|
| Annual expenditure ($) | 23,866 | 14,142 | 23,931 | 31,219 | 32,218 | 24,808 | 17,506 | 12,198 |
| Percent Distribution: | | | | | | | | |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Food | 14.4 | 15.2 | 14.0 | 14.5 | 14.5 | 14.1 | 14.9 | 15.8 |
| Food at home | 8.4 | 7.1 | 7.9 | 8.1 | 8.3 | 8.6 | 9.4 | 11.0 |
| Food away from home | 6.1 | 8.0 | 6.1 | 6.3 | 6.2 | 5.5 | 5.5 | 4.8 |
| Alcoholic beverages | 1.1 | 2.1 | 1.5 | 0.9 | 1.0 | 1.0 | 0.9 | 0.5 |
| Housing | 30.6 | 30.0 | 32.8 | 30.9 | 28.1 | 28.0 | 30.7 | 35.7 |
| Shelter | 16.7 | 18.8 | 19.2 | 17.4 | 15.4 | 13.8 | 14.1 | 16.4 |
| Homeowners | 9.7 | 2.8 | 9.9 | 11.5 | 10.1 | 9.2 | 8.7 | 8.2 |
| Renters | 5.3 | 14.4 | 8.2 | 4.1 | 2.8 | 2.7 | 3.5 | 7.1 |
| Hotel/other | 1.7 | 1.5 | 1.0 | 1.8 | 2.5 | 1.9 | 1.8 | 1.1 |
| Utilities | 6.9 | 5.6 | 6.3 | 6.2 | 6.4 | 7.6 | 9.1 | 11.1 |
| Operation & supplies | 2.8 | 2.1 | 3.1 | 2.8 | 2.0 | 2.5 | 3.3 | 4.7 |
| Furniture & Equipment | 4.2 | 3.5 | 4.2 | 4.4 | 4.3 | 4.0 | 4.3 | 3.5 |
| Apparel | 5.6 | 5.9 | 6.0 | 6.1 | 5.8 | 5.4 | 4.3 | 3.7 |
| Transportation | 20.3 | 23.5 | 21.3 | 19.8 | 21.3 | 20.1 | 18.6 | 13.2 |
| Vehicle costs | 19.2 | 22.4 | 20.4 | 18.9 | 20.1 | 19.1 | 17.3 | 12.3 |
| Public transportation | 1.0 | 1.1 | 0.9 | 1.0 | 1.2 | 1.0 | 1.3 | 0.9 |
| Health care (incl ins.) | 4.8 | 2.6 | 3.1 | 3.4 | 3.9 | 5.8 | 9.3 | 15.0 |
| Entertainment | 4.8 | 4.9 | 4.9 | 5.6 | 4.6 | 4.6 | 4.2 | 3.0 |
| Personal Care | 1.3 | 1.3 | 1.2 | 1.3 | 1.2 | 1.3 | 1.4 | 1.3 |
| Reading | 0.6 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.8 | 0.8 |
| Education | 1.3 | 4.2 | 0.8 | 1.4 | 1.9 | 1.0 | 0.4 | 0.1 |
| Tobacco | 1.0 | 1.2 | 1.0 | 0.9 | 1.0 | 1.1 | 1.0 | 0.7 |
| Miscellaneous | 2.2 | 1.8 | 2.3 | 2.2 | 2.0 | 2.2 | 2.4 | 2.5 |
| Cash contributions | 3.1 | 1.0 | 1.4 | 2.7 | 3.7 | 4.2 | 6.1 | 5.4 |
| Life & pers. insurance | 1.2 | 0.4 | 0.9 | 1.2 | 1.4 | 1.6 | 1.8 | 1.0 |
| Pension and Soc Security | 7.7 | 5.5 | 8.2 | 8.6 | 9.1 | 9.0 | 3.1 | 1.2 |

## EMPLOYMENT
(Seasonally Adjusted)

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Nov | Oct | Sep | Aug | Nov | % Change |
| Civilian employment (000) | 13,715 | 13,767 | 13,716 | 13,706 | 13,451 | 2.0 |
| Unemployment (000) | 725 | 690 | 736 | 652 | 735 | -1.4 |
| Unemployment rate | 5.0 | 4.8 | 5.1 | 4.5 | 5.2 | -- |
| Nonagricultural wage and salary employment a/ (000) | 12,669.8 | 12,625.9 | 12,598.1 | 12,566.9 | 12,363.2 | 2.5 |
| Mining | 39.1 | 39.9 | 40.6 | 41.0 | 40.6 | -3.7 |
| Construction | 665.5 | 662.0 | 656.0 | 659.1 | 628.0 | 6.0 |
| Manufacturing | 2,167.9 | 2,163.1 | 2,156.4 | 2,157.3 | 2,176.1 | -0.4 |
| High technology b/ | n.a. | 738.0 | 739.0 | 742.2 | 751.3 | -- |
| Transportation and public utilities | 613.9 | 611.4 | 608.6 | 567.0 | 597.4 | 2.8 |
| Trade | 2,988.2 | 2,983.6 | 2,980.1 | 2,979.3 | 2,923.8 | 2.2 |
| Finance, insurance, and real estate | 830.7 | 827.5 | 827.8 | 825.2 | 828.4 | 0.3 |
| Services | 3,332.4 | 3,308.9 | 3,298.8 | 3,303.1 | 3,212.4 | 3.7 |
| Government | 2,032.1 | 2,029.4 | 2,029.8 | 2,034.8 | 1,956.6 | 3.9 |
| Federal | 362.7 | 361.2 | 359.8 | 359.9 | 356.6 | 1.7 |
| State and local | 1,669.4 | 1,668.2 | 1,670.0 | 1,674.9 | 1,599.9 | 4.3 |

## HOURS AND EARNINGS IN MANUFACTURING

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Oct | Sep | Aug | Jul | Oct | % Change |
| Average weekly hours c/ | 40.5 | 40.6 | 40.8 | 40.4 | 40.7 | -0.5 |
| Average weekly earnings c/ | $458.06 | $458.37 | $456.55 | $453.29 | $444.85 | 3.0 |
| Average hourly earnings c/ | $11.31 | $11.29 | $11.19 | $11.22 | $10.93 | 3.5 |

## PRODUCTION

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Sep | Aug | Jul | Jun | Sep | % Change |
| Petroleum (000 barrels daily) c/ | n.a. | 997 | 1,000 | 1,001 | 1,058 | -- |
| Portland cement (000 short tons) c/ | 896.2 | 1,114.9 | 940.0 | 1,064.3 | 937.7 | -4.4 |

## TRADE
(Seasonally Adjusted)

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Oct | Sep | Aug | Jul | Oct | % Change |
| Retail sales ($ millions) | n.a. | 18,093 | 17,945 | 17,698 | 16,620 | -- |
| New auto registrations (number) | 125,729 | 111,109 | 125,949 | 107,552 | 109,247 | 15.1 |

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

## CONSUMER PRICE INDEX
(1982-84 =100)

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Oct | Sep | Aug | Jul | Oct | % Change |
| All Urban Consumers Series | | | | | | |
| California Average | 129.5 | 129.4 | 128.9 | 128.8 | 123.8 | 4.6 |
| San Francisco CMSA | 127.5 | 126.8 | 128.1 | 127.4 | 122.3 | 4.3 |
| Los Angeles CMSA | 130.0 | 130.1 | 128.9 | 129.0 | 124.0 | 4.8 |
| Wage Earners and Clerical Workers Series | | | | | | |
| California Average | 126.4 | 126.2 | 125.7 | 125.7 | 120.9 | 4.5 |
| San Francisco CMSA | 126.7 | 126.1 | 127.0 | 126.4 | 121.3 | 4.5 |
| Los Angeles CMSA | 126.5 | 126.5 | 125.5 | 125.7 | 121.0 | 4.5 |

## CONSTRUCTION

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Sep | Aug | Jul | Jun | Sep | % Change |
| Private residential housing units authorized (000) a/ | 216.4 | 216.1 | 236.3 | 214.4 | 255.5 | -15.3 |
| Single units | 152.4 | 159.0 | 162.2 | 151.3 | 167.1 | -8.8 |
| Multiple units | 64.1 | 57.1 | 74.1 | 63.1 | 88.4 | -27.5 |
| Residential building authorized valuation (millions) b/ | $1,961 | $2,109 | $2,036 | $2,044 | $2,150 | -8.8 |
| Nonresidential building authorized valuation (millions) b/ | $785 | $1,028 | $866 | $963 | $1,117 | -29.7 |
| Nonresidential building authorized valuation (millions) c/ | $843 | $1,134 | $913 | $1,100 | $1,198 | -29.6 |
| Commercial | n.a. | n.a. | n.a. | $389 | $558 | -- |
| Industrial | n.a. | n.a. | n.a. | $155 | $138 | -- |
| Other | n.a. | n.a. | n.a. | $132 | $130 | -- |
| Alterations and additions | n.a. | n.a. | n.a. | $424 | $372 | -- |

## VACANCY RATES FOR SEPTEMBER 1989
(Percent)

| | Office | | | Industrial |
|---|---|---|---|---|
| | Total | Downtown | Suburban | |
| Northern and Central California | | | | 6.4 |
| Oakland-East Bay | 21.2 | 17.5 | 22.2 | |
| Sacramento | 17.7 | 9.6 | 20.0 | |
| San Francisco | 15.9 | 15.3 | 16.8 | |
| San Jose | 14.4 | 20.4 | 12.8 | |
| Southern California | | | | 7.1 |
| Los Angeles | 15.9 | 13.4 | 16.4 | |
| Orange County | 21.0 | -- | 21.0 | |
| San Diego | 20.3 | 13.0 | 22.4 | |
| Ventura County | 12.7 | -- | 12.7 | |
| National Average | 19.8 | 16.7 | 21.3 | 6.3 |

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

## MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

| 1988 | | | | 1989 | | | |
|---|---|---|---|---|---|---|---|
| Jan | $150,010 | Jul | $174,388 | Jan | $184,711 | Jul | $202,650 |
| Feb | $149,847 | Aug | $174,750 | Feb | $191,352 | Aug | $201,028 |
| Mar | $154,130 | Sep | $177,107 | Mar | $195,815 | Sep | $199,606 |
| Apr | $158,571 | Oct | $178,499 | Apr | $200,784 | Oct | $193,557 |
| May | $163,578 | Nov | $181,328 | May | $201,930 | | |
| Jun | $170,185 | Dec | $177,285 | Jun | $200,445 | | |

## LEADING INDICATORS a/

| | | Manufacturing Overtime Hours | Manufacturing Average Weekly Hours | New Business Incorporations |
|---|---|---|---|---|
| 1988 | Jan | 3.8 | 40.7 | 4,860 |
| | Feb | 3.7 | 40.8 | 5,646 |
| | Mar | 3.8 | 41.0 | 5,162 |
| | Apr | 3.9 | 40.8 | 4,673 |
| | May | 3.8 | 40.7 | 4,992 |
| | Jun | 3.8 | 40.7 | 4,949 |
| | Jul | 3.8 | 40.8 | 4,523 |
| | Aug | 3.9 | 40.8 | 5,015 |
| | Sep | 3.9 | 40.7 | 4,499 |
| | Oct | 3.8 | 40.7 | 4,850 |
| | Nov | 3.6 | 40.5 | 4,784 |
| | Dec | 3.7 | 40.6 | 4,779 |
| 1989 | Jan | 3.8 | 40.6 | 5,580 |
| | Feb | 3.9 | 41.0 | 4,103 |
| | Mar | 3.8 | 40.9 | 4,876 |
| | Apr | 3.9 | 41.1 | 4,168 |
| | May | 3.8 | 40.7 | 5,269 |
| | Jun | 3.8 | 40.8 | 4,292 |
| | Jul | 3.9 | 40.9 | 3,943 |
| | Aug | 3.9 | 40.9 | 4,299 |
| | Sep | 3.9 | 40.5 | 3,672 |
| | Oct | 3.9 | 40.5 | 4,135 |

| | | Unemployment Insurance Initial Claims | Housing Unit Authorizations (Thousands) |
|---|---|---|---|
| 1988 | Jan | 51,222 | 211.0 |
| | Feb | 51,388 | 236.4 |
| | Mar | 51,205 | 237.6 |
| | Apr | 52,353 | 233.3 |
| | May | 53,241 | 245.1 |
| | Jun | 52,579 | 258.5 |
| | Jul | 53,823 | 224.8 |
| | Aug | 50,248 | 268.6 |
| | Sep | 51,619 | 255.5 |
| | Oct | 48,646 | 298.2 |
| | Nov | 48,762 | 298.3 |
| | Dec | 49,431 | 264.1 |
| 1989 | Jan | 50,723 | 234.5 |
| | Feb | 51,650 | 240.6 |
| | Mar | 53,264 | 229.9 |
| | Apr | 53,731 | 222.7 |
| | May | 54,868 | 258.1 |
| | Jun | 54,575 | 214.4 |
| | Jul | 53,681 | 236.3 |
| | Aug | 54,571 | 216.1 |
| | Sep | 53,245 | 216.4 |
| | Oct | 58,431 | n.a. |

a/ Seasonally adjusted
n.a. Not available

## COINCIDENT INDICATORS a/

| | | Nonagricultural Employment (Thousands) | Manufacturing Employment (Thousands) | Unemployment Rate (Percent) | Unemployment Avg. Weeks Claimed (Thousands) |
|---|---|---|---|---|---|
| 1988 | Jan | 11,892 | 2,137 | 5.2 | 321 |
| | Feb | 11,952 | 2,146 | 5.4 | 313 |
| | Mar | 11,984 | 2,145 | 5.2 | 328 |
| | Apr | 11,964 | 2,146 | 5.2 | 313 |
| | May | 11,983 | 2,142 | 6.1 | 332 |
| | Jun | 12,062 | 2,151 | 5.5 | 338 |
| | Jul | 12,182 | 2,169 | 5.4 | 324 |
| | Aug | 12,221 | 2,174 | 5.5 | 339 |
| | Sep | 12,265 | 2,181 | 5.1 | 314 |
| | Oct | 12,290 | 2,171 | 5.0 | 310 |
| | Nov | 12,363 | 2,176 | 5.2 | 324 |
| | Dec | 12,458 | 2,185 | 4.7 | 298 |
| 1989 | Jan | 12,283 | 2,167 | 5.0 | 329 |
| | Feb | 12,374 | 2,171 | 5.0 | 327 |
| | Mar | 12,444 | 2,175 | 4.5 | 339 |
| | Apr | 12,395 | 2,162 | 5.4 | 325 |
| | May | 12,430 | 2,159 | 5.5 | 325 |
| | Jun | 12,527 | 2,169 | 5.6 | 313 |
| | Jul | 12,592 | 2,163 | 5.3 | 322 |
| | Aug | 12,567 | 2,157 | 4.5 | 338 |
| | Sep | 12,598 | 2,156 | 5.1 | 320 |
| | Oct | 12,626 | 2,163 | 4.8 | 320 |
| | Nov | 12,670 | 2,168 | 5.0 | n.a. |

| | | Personal Income (Millions) | Wages & Salaries from Mining, Construction and Manufacturing (Millions) | Taxable Sales (Millions) |
|---|---|---|---|---|
| 1987 | Qtr I | $477,553 | $73,489 | $55,795 |
| | Qtr II | $491,846 | $76,719 | $57,725 |
| | Qtr III | $491,363 | $77,159 | $58,727 |
| | Qtr IV | $504,812 | $78,784 | $59,383 |
| 1988 | Qtr I | $512,471 | $80,407 | $61,268 |
| | Qtr II | $516,809 | $80,123 | $62,064 |
| | Qtr III | $539,311 | $83,622 | $62,875 |
| | Qtr IV | $555,282 | $84,320 | $64,649 |
| 1989 | Qtr I | $551,342 | $85,413 | $65,231 |
| | Qtr II | $562,002 | $85,537 | $67,634 |
| | Qtr III | $583,337 | $87,567 | n.a. |

## OTHER INDICATORS a/

| | | DOD Prime Contracts (Millions) |
|---|---|---|
| 1986 | Qtr I | $6,914 |
| | Qtr II | $6,075 |
| | Qtr III | $6,993 |
| | Qtr IV | $3,897 |
| 1987 | Qtr I | $5,794 |
| | Qtr II | $6,473 |
| | Qtr III | $8,264 |
| | Qtr IV | $3,579 |
| 1988 | Qtr I | $4,982 |
| | Qtr II | $10,642 |
| | Qtr III | $6,366 |

| | | Electricity Production (Million KWH) |
|---|---|---|
| 1988 | Jan | 10,520 |
| | Feb | 11,210 |
| | Mar | 10,607 |
| | Apr | 10,287 |
| | May | 10,239 |
| | Jun | 9,957 |
| | Jul | 11,129 |
| | Aug | 10,666 |
| | Sep | 10,602 |
| | Oct | 9,671 |
| | Nov | 10,606 |
| | Dec | 10,565 |
| 1989 | Jan | 10,939 |
| | Feb | 12,203 |
| | Mar | 11,524 |
| | Apr | 10,964 |
| | May | 9,972 |
| | Jun | 10,678 |
| | Jul | 11,472 |
| | Aug | 10,884 |



a/ Seasonally adjusted

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

### TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

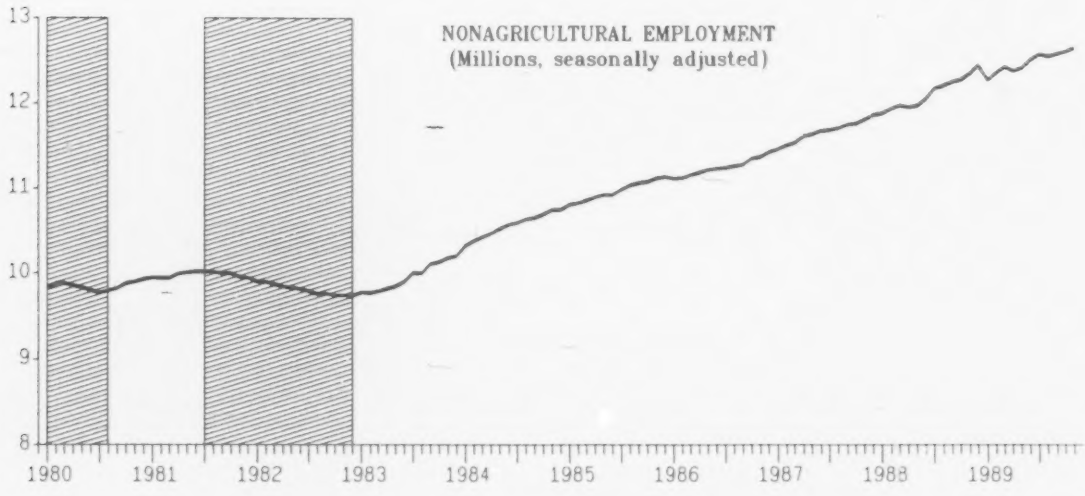
Manufacturing Employment

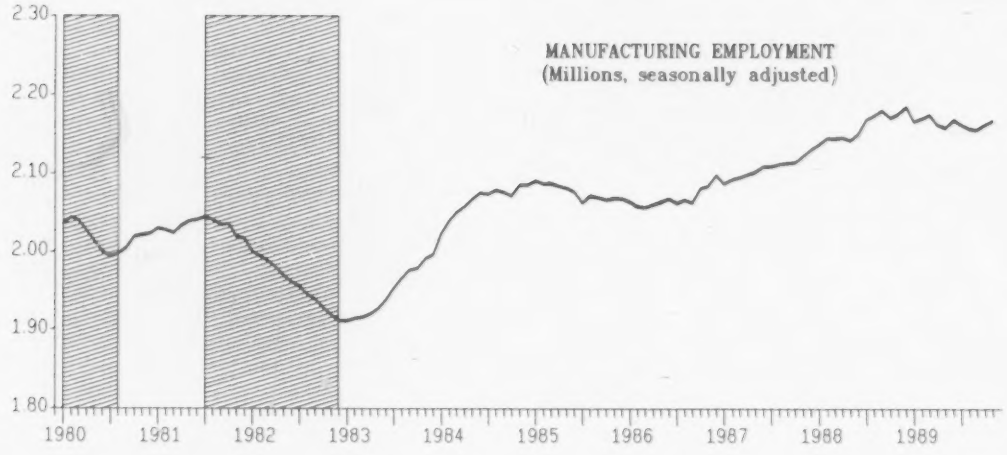
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

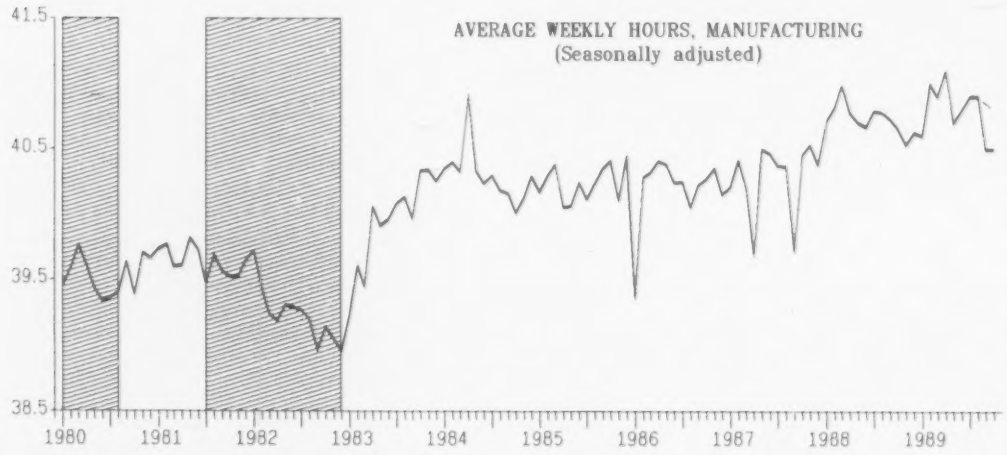
Taxable Sales

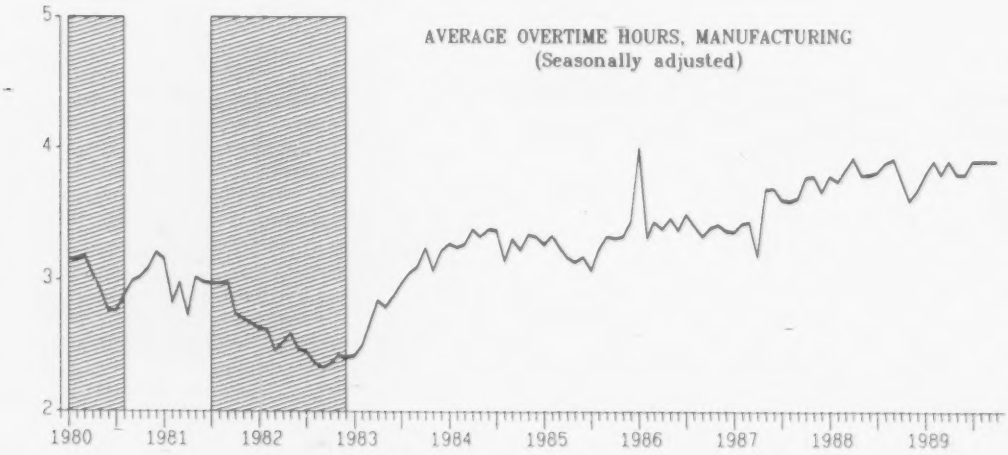
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

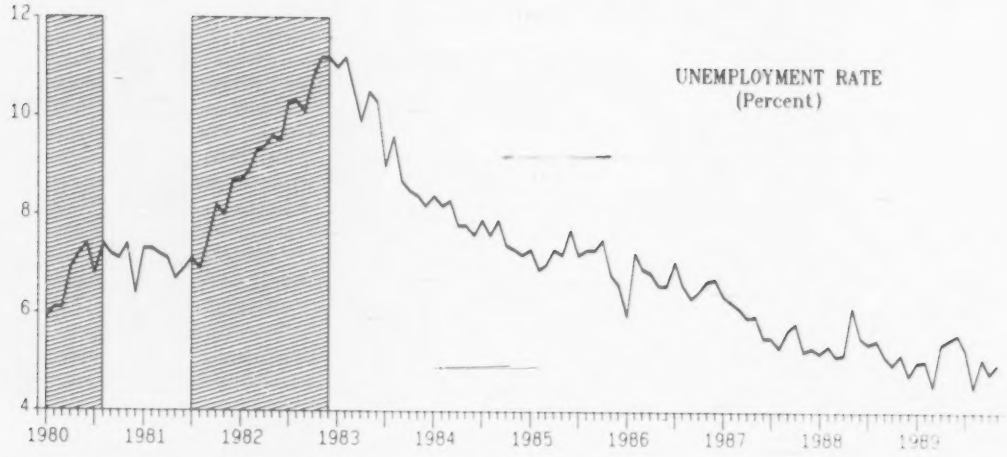
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



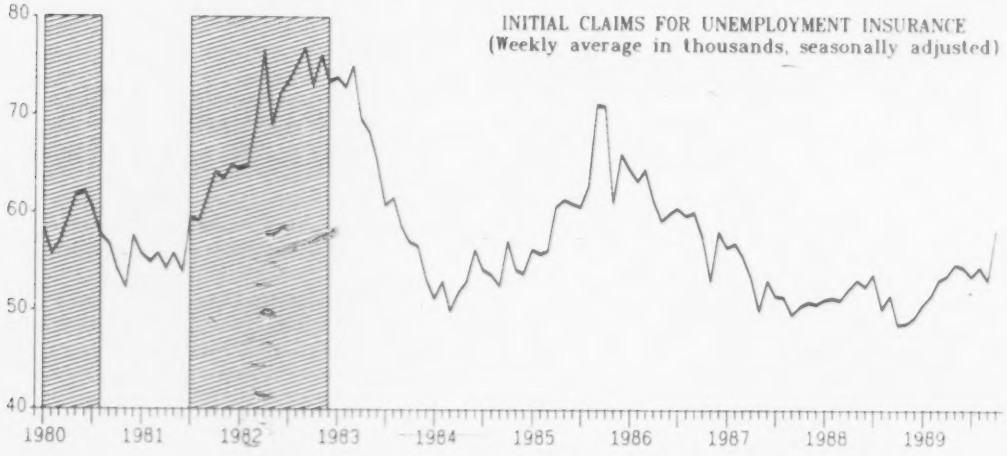

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

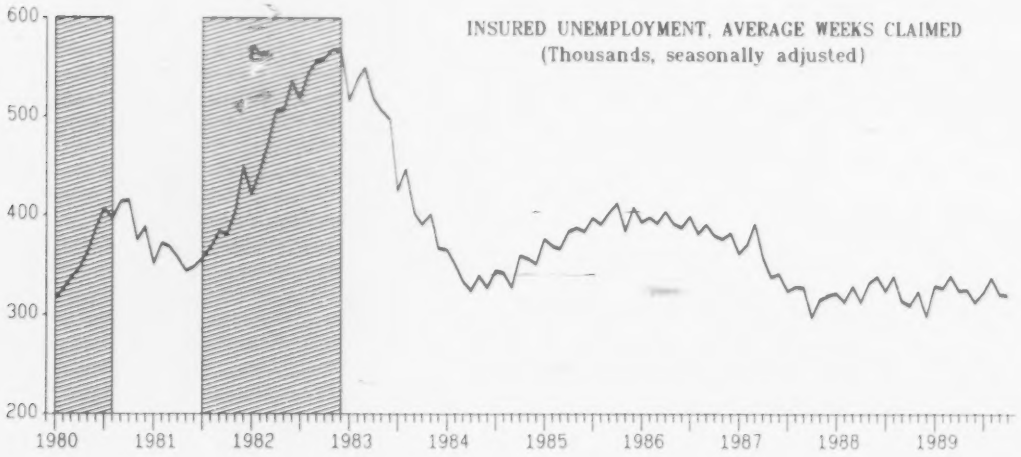

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989



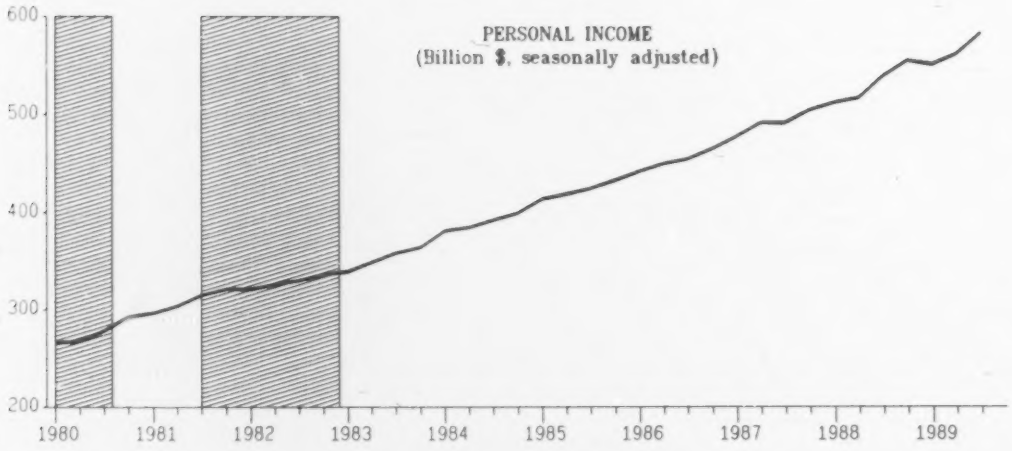

UNEMPLOYMENT RATE
(Percent)

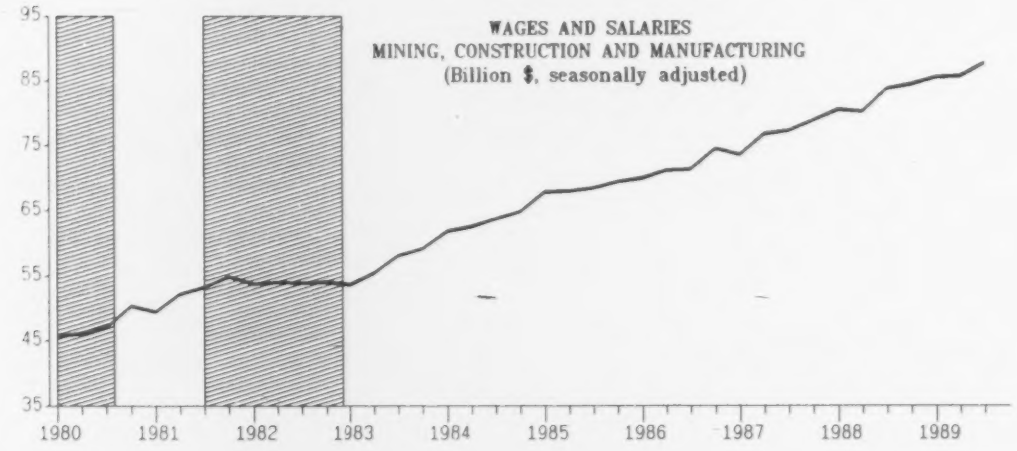


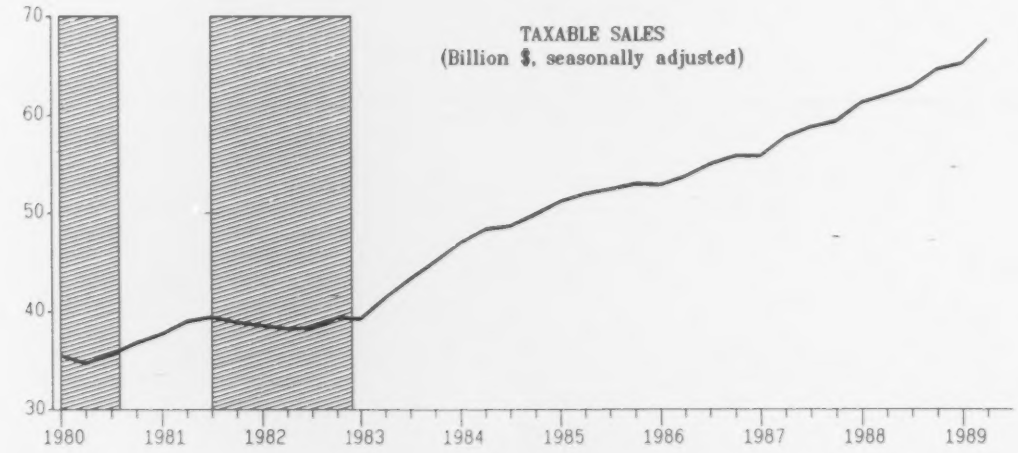

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)

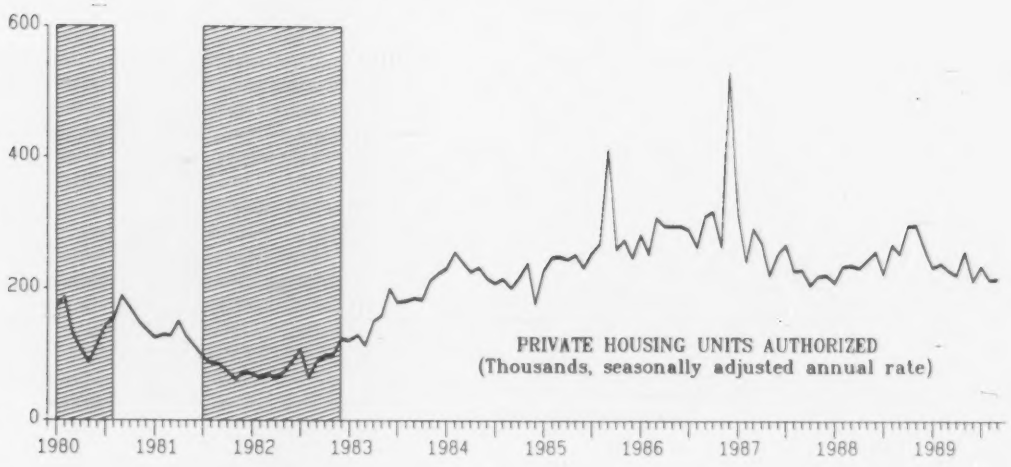


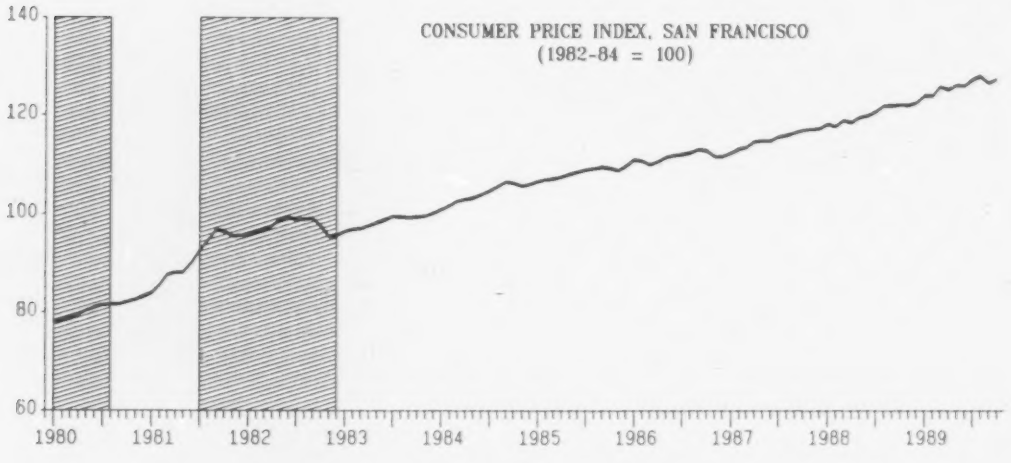

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)

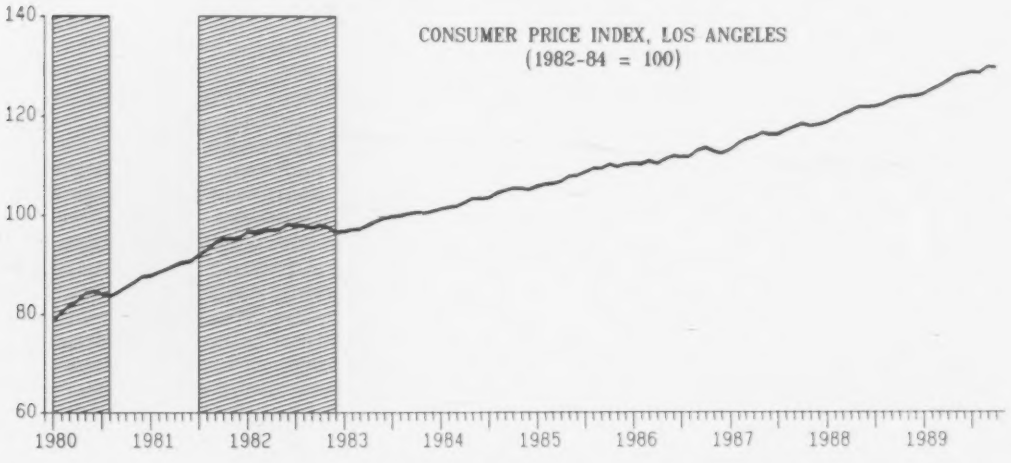

PERSONAL INCOME
(Billion $, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

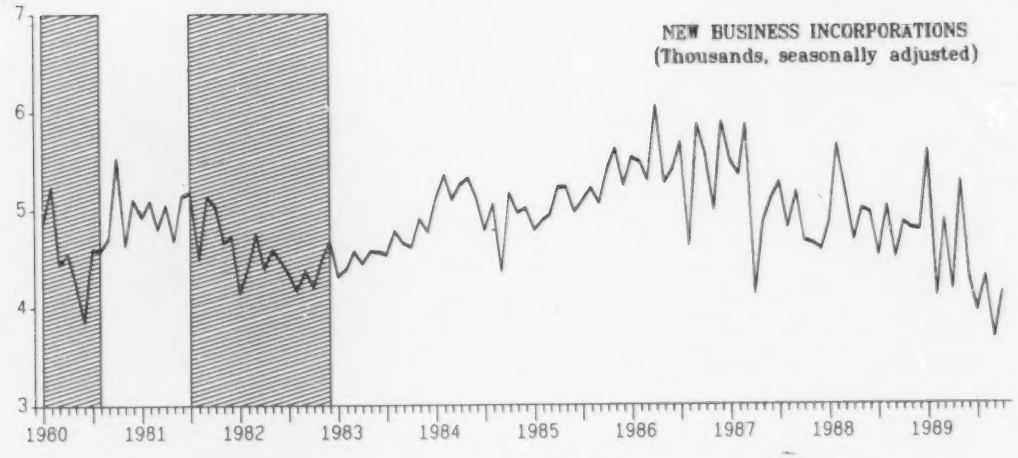

WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

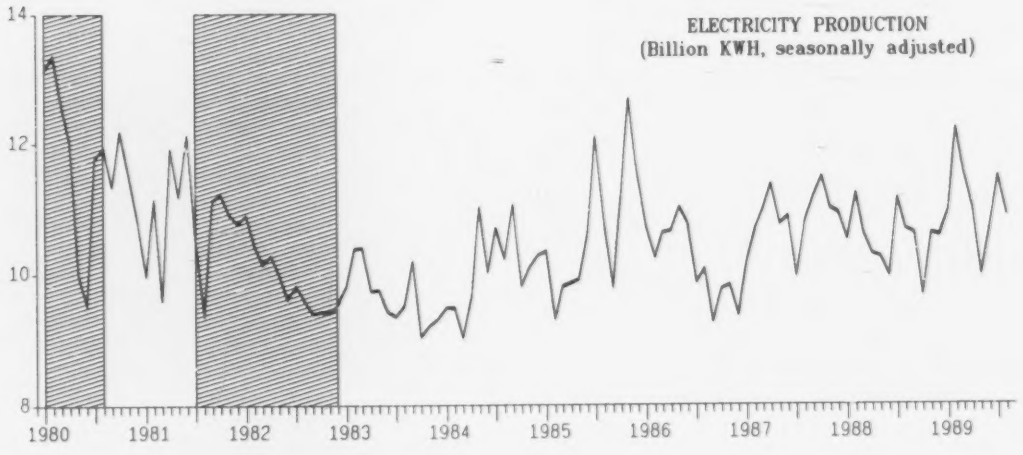

TAXABLE SALES
(Billion $, seasonally adjusted)
70
60
50
40
30
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

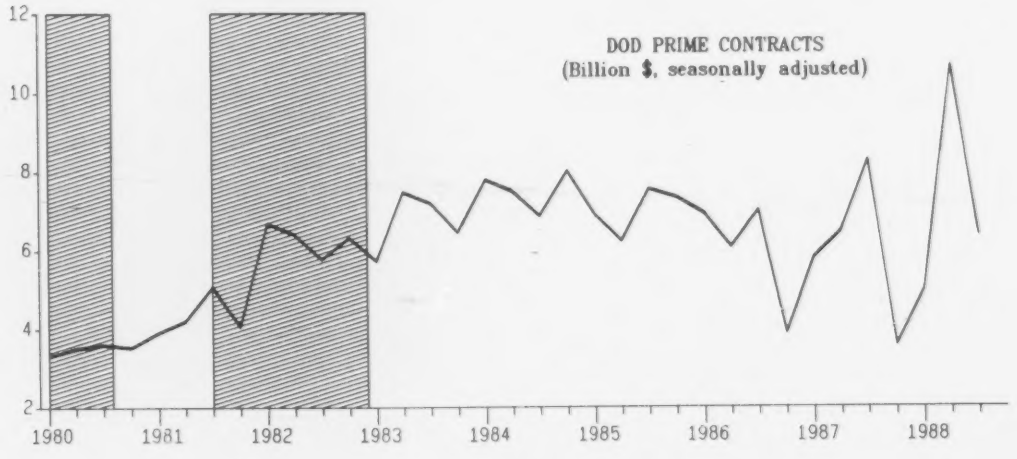

600
400
200
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)


140
120
100
80
60
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)


140
120
100
80
60
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
14
12
10
8
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


DOD PRIME CONTRACTS
(Billion $, seasonally adjusted)
12
10
8
6
4
2
1980
1981
1982
1983
1984
1985
1986
1987
1988

## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideratio n those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

### 1980

| | |
|---|---|
| February 25 | Prime rate raised to 16-1/2 percent. |
| February 27 | Ceilings on interest rates for government backed mortgages raised to 13 percent. |
| February 29 | Prime rate raised to 16-3/4 percent. |
| March 4 | Prime rate raised to 17-1/4 percent. |
| March 7 | Prime rate raised to 17-3/4 percent. |
| March 13 | Prime rate raised to 18-1/4 percent. |
| March 14 | Announcement of tighter fiscal policies. |
| March 17 | Three percent discount rate surcharge imposed. |
| March 18 | Prime rate raised to 19 percent. |
| April 2 | Prime rate raised to 20 percent. |
| April 3 | FHA mortgages raised to 14 percent. |
| April 20 | Prime rate reduced to 19-1/2 percent. |
| April 28 | FHA mortgages reduced to 13 percent. |
| | Prime rate reduced to 18-1/2 percent. |
| May 5 | Prime rate reduced to 18 percent. |

### 1980--continued

| | |
|---|---|
| May 7 | Prime rate reduced to 17 percent. |
| May 8 | Discount rate surcharge reimposed. |
| May 12 | Prime rate reduced to 16-1/2 percent. |
| May 19 | Prime rate reduced to 16 percent. |
| May 28 | Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent. |
| June 25 | Carpenters strike in Northern California ended. |
| July 3 | ICC begins trucking industry deregulation. |
| July 21-Oct. 23 | Motion picture and television industry strike. |
| July 22 | Prime rate reduced to 11 percent. |
| July 25 | Prime rate reduced to 10-3/4 percent. |
| July 28 | Discount rate reduced to 10 percent. |
| August 5 | Prime rate raised to 11 percent. |
| August 27 | Prime rate raised to 11-1/2 percent. |

## CHRONOLOGY--continued

### 1980--continued

| | |
|---|---|
| September 5 | FHA mortgage interest rate raised from 11-1/2 to 12 percent. |
| September 12 | California morgage rate raised from 13-1/2 percent to 13-3/4 percent. |
| September 25-Nov. 14 | Pacific Southwest Airlines (PSA) pilots strike begins. |
| September 26 | Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent. |
| October 2 | Prime raised from 13 to 13-1/2 percent. |
| October 3 | Prime raised to 14 percent. |
| October 15 | AFTA workers return to work. |
| October 30 | Prime raised from 14 to 14-1/2 percent. |
| November 7 | Prime raised from 14-1/2 to 15-1/2 percent. |
| November 17 | Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed. |
| November 21 | Prime raised to 17 percent. |
| November 28 | Prime raised to 17-3/4 percent. |
| December 3 | Prime raised from 17-3/4 to 18-1/2 percent. |
| December 5 | Discount rate raised from 12 to 13 percent. Prime raised to 19 percent. |
| December 11 | Prime raised to 20 percent. |
| December 17 | Prime raised from 20 to 21 percent. |
| December 23 | Prime lowered from 21 to 20-1/2 percent. |

### 1981

| | |
|---|---|
| January 1 | Minimum wage raised from $3.10 to $3.35. |
| January 6 | Prime lowered to 20 percent. |
| January 20 | American hostages released from Iran. |
| January 20 | Ronald Reagan inaugurated as 40th President of the U.S. |
| January 28 | Deregulation of oil and gas industry announced, effectiveimmediately. |
| January 29 | Prime rate lowered to 19-1/2 percent from 20 percent. |
| February 16 | General Motors and Ford rebate plans announced. |
| February 23 | Prime rate lowered to 18 percent. |
| March 2 | Prime rate lowered to 18-1/2 percent. |
| March 10 | Prime rate lowered to 18 percent. |
| March 16 | Prime rate lowered to 17-1/2 percent. |
| March 18 | Prime rate lowered to 17 percent. |
| March 26-June 8 | United mine workers strike. |
| April 13 | Prime rate raised to 17-1/2 percent. |
| April 29 | Prime rate raised to 18 percent. |
| May 4 | Prime rate raised to 19 percent. |
| May 5 | Discount rate raised from 13 percent to 14 percent. |
| May 8 | FHA-VA rate up to 15-1/2 percent from 14-1/2 percent. |

## CHRONOLOGY--Continued

1981--Continued

| | |
|---|---|
| May 11 | Prime rate raised to 19-1/2 percent. |
| May 22 | Prime rate raised to 20 percent. |
| May 27 | OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level. |
| June 5 | Dollar reaches highest level in international trading since December 1971. |
| July 8 | Prime rate raised to 20-1/2 percent. |
| August 3 Jan. 17, 1986 | Professional Air Traffic Controller's Organization strike. |
| August 14 | President Reagan signs both the tax- and budget-cut bills into law. |
| August 18 | FHA-VA rate up to 16-1/2 percent from 16-1/2 percent. |
| September 1 | Prime rate lowered to 20 percent. |
| September 21 | Prime rate lowered to 19-1/2 percent. |
| September 22 | Fed surcharge cut to 3 percent from 4 percent. |
| October | Introduction of All Savers Certificates to stimulate savings. |
| October 6 | Prime rate lowered to 19 percent. |
| | Egyptian President Sadat assassinated. |
| October 13 | Prime rate lowered to 18 percent. |
| October 30 | OPEC price set at $34.00/barrel--the Saudi benchmark. |

1981--continued

| | |
|---|---|
| November 1 | Passbook interest rate raised 1/2 percent to 5-3/4 percent. |
| November 2 | Fed discount rate cut from 14 percent to 13 percent. |
| | Prime rate lowered to 17-1/2 percent. |
| November 10 | Prime rate lowered to 17 percent. |
| November 13 | Prime rate lowered to 16-1/2 percent. |
| | FHA mortgage rate lowered to 15-1/2 percent. |
| November 16 | Prime rate lowered to 16 percent. |
| November 17 | Fed eliminates 2 percent surcharge. Discount rate unaffected. |
| December 1 | Prime rate lowered to 15-1/2 percent. |
| December 4 | Fed discount rate lowered from 13 percent to 12 percent. |
| December 12 | Martial law imposed in Poland. |

1982

| | |
|---|---|
| January 22 | Federal funds rate raised to 13-1/2 percent. |
| January 25 | FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent. |
| February 2 | Prime rate raised to 16-1/2 percent by Citibank and Crocker. |
| February 18 | Prime rate increased to 17 percent. |
| February 24 | Prime rate cut to 16-1/2 percent. |

## CHRONOLOGY--continued

1982--continued

| | |
|---|---|
| March 1 | Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises. |
| March 8 | Prime rate lowered to 16 percent. |
| March 16 | Prime rate back up to 16-1/2 percent. |
| April 1 | OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels. |
| April 5 | Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975. |
| April 12 | General Motor and United Auto Workers labor agreement approved. |
| April 26 | The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century. |
| May 7 | U.S. unemployment rate reaches 9.4 percent for a post-WW II record. |
| May 13 | Braniff Air Lines ceases operation. |
| June 25 | Secretary of State Alexander Haig resigns. |
| June 28 | U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts. |
| July 20 | Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent. |

1982--Continued

| | |
|---|---|
| July 27 | Prime rate lowered to 15-1/2 percent. |
| August 2 | Discount rate lowered to 11 percent. Prime rate lowered to 15 percent. |
| August 9 | Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941. |
| August 16 | Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent. |
| August 18 | Dow Jones Industrial Average rose 38.81 points--an all-time record. |
| August 19 | The stock market trading soared to a record 132,690,000 shares. |
| August 27 | Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent. |
| November 23 | Prime rate lowered from 12 percent to 11-1/2 percent. |
| December 13 | Discount rate cut to 8-1/2 percent. |
| December 14 | Introduction of money market deposit accounts by banks and S&Ls. |

1983

| | |
|---|---|
| January 5 | Super NOW accounts introducted. |
| January 11 | Prime rate lowered to 11 percent. |
| January 31 | Independent truckers strike begins. |
| February 10 | Independent truckers strike end. |

## CHRONOLOGY--Continued

1983--Continued

| | |
|---|---|
| February 15 | Toyota/GM agreement to build a small car in late 1984. |
| February 25 | Prime rate lowered to 10-1/2 percent. |
| March 14 | OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels. |
| May 2 | An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California. |
| June 8 | The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent. |
| June 18 | Paul Volcker reappointed as Federal Reserve Board Chairman. |
| June 24 | The Federal Budget deficit totalled a record $29.29 billion in May. |
| July 7 | The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent. |
| July 13 | Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due. |
| July 25 | The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history. |
| August 1 | California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, |

1983--Continued

| | |
|---|---|
| | maturing next April and June, were oversubscribed. |
| August 2 | The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent. |
| August 7-August 28 | The Communications Workers of America and two other unions strike AT&T. |
| August 8 | Prime rate raised from 10-1/2 percent to 11 percent by most major banks. |
| August 23 | The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent. |
| September 1 | Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan. |
| November 1 | Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent. |
| November 3-December 21 | Strike against Greyhound Lines Inc. |
| December 1 | FHA mortgage interest rates begin to float. VA rates are still pegged. |

1984

| | |
|---|---|
| January 3 | Breakup of AT&T becomes effective. |
| February 2 | Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions. |
| March 19 | Prime rate raised from 11 percent to 11-1/2 percent. |
| March 20 | Maximum rate on VA loans raised from 12-1/2 to 13 percent. |

## CHRONOLOGY--Continued

### 1984--Continued

| | |
|---|---|
| April 4 | Prime rate raised from 11-1/2 percent to 12 percent. |
| April 9 | Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years. |
| May 5 | Prime rate raised from 12 percent to 12-1/2 percent. |
| June 26 | Prime rate raised from 12-1/2 percent to 13 percent. |
| September 3 - December 7 | Hotel and restaurant strike - San Francisco. |
| September 15-October 14 | UAW-General Motors strike. |
| September 28 | Prime rate reduced from 13 percent to 12-3/4 percent. |
| October 16 | Prime rate reduced from 12-3/4 percent to 12-1/2 percent. |
| October 28 | Prime rate reduced from 12-1/2 percent to 12 percent. |
| November 7 | Prime rate reduced from 12 percent to 11-3/4 percent. |
| November 21 | Discount rate reduced from 9 percent to 8-1/2 percent. |
| November 28 | Prime rate reduced from 11-3/4 percent to 11-1/4 percent. |
| December 17 | Prime rate reduced from 11-1/4 percent to 10-3/4 percent. |
| December 24 | Discount rate reduced from 8-1/2 percent to 8 percent. |

### 1985

| | |
|---|---|
| January 1 | Federal price controls removed from approximately half of the natural gas produced in the United States. |
| January 15 | Prime rate reduced from 10-3/4 percent to 10-1/2 percent. |
| March 9 | Home State Savings Bank Cincinnati, Ohio closed. |
| March 15 | Seventy Ohio thrift institutions closed to prevent run on deposits. |
| March 25 | Maximum rate on VA loans raised from 12-1/2 percent to 13 percent. |
| May 2 | Auto manufacturer's initiate low interest loan programs. |
| May 17-June 14 | United Airlines--Air Pilots Association strike. |
| May 17 | Prime rate reduced from 10-1/2 percent to 10 percent. |
| May 20 | Dow Jones Industrials close above 1,300 for the first time. |
| May 29 | Presidents' tax reform plan unveiled. |
| June 18 | Prime rate reduced to 9 1/2 percent from 10 percent. |
| July 16 | Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979. |
| July 22-October 16 | 8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years. |
| August 15 | GM announces 7.7 percent financing rate program to run through October 2nd. |

## CHRONOLOGY--Continued

### 1985--Continued

| | |
|---|---|
| August 20 | Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos. |
| September 4 | The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio. |
| September 15 | A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect. |
| September 16 | Saudi Arabia announces plans to boost oil production and cut prices. |
| September 22 | G-5 agreement to push the dollar lower. |
| November 7 | Dow Jones Industrials close above 1400 for the first time. |
| December 10 | World oil prices fall by more than a dollar after OPEC decides to abandon price supports. |
| December 12 | President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991. |
| December 23 | President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System. |

### 1986

| | |
|---|---|
| January 1 | Ceiling on Super NOW accounts was removed. |

### 1986--Continued

| | |
|---|---|
| January 17 | United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history. |
| January 28 | Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died. |
| February 26 | Corazon Aquino takes over Phillipines as the new president. |
| March 3 | Dow Jones Industrials close above 1700 for the first time. |
| March 4 | Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years. |
| | Oil prices fall to $12 per barrel. |
| March 7 | The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan. |
| March 10 | Prime rate cut to 9 percent from 9-1/2 percent. |
| March 21 | Dow Jones Industrials close above 1800 for the first time. |
| | Conservative Chirac appointed as Prime Minister of France. |
| March 25 | U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra. |
| April 1 | Interest ceilings on passbook saving accounts ended. |
| | Oil prices fall to under $11 per barrel. |
| April 14 | U.S. air strike against Libya. |

## CHRONOLOGY--Continued

1986--Continued

| | |
|---|---|
| April 21 | U.S. Dollar reaches a post-WWII low against the Yen at 168.60. |
| | Discount rate cut from 7 percent to 6-1/2 percent. |
| | Prime rate cut to 8-1/2 percent from 9 percent. |
| April 23 | Paul Volcker warns of public and private debt buildup as a threat to the economy. |
| April 25 | Soviet nuclear plant at Chernobyl destroyed by fire. |
| May 12 | U.S. dollar falls to 159.95 Yen. |
| May 22 | U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada. |
| June 1-June 26 | CWA strike at AT&T. |
| July 7 | The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional. |
| July 7 | The Dow Jones Industrial average was down a record 61.87 points. |
| July 10 | The Fed lowered the discount rate from 6-1/2% to 6%. |
| July 11 | Prime rate cut to 8 percent from 8-1/2 percent. |
| July 20 | Prime rate cut to 7-1/2 percent. |
| August 1 | United steelworkers strike for the first time since 1959. 44,000 workers were involved. |

1986--Continued

| | |
|---|---|
| August 20 | The discount rate was reduced from 6 percent to 5-1/2 percent. |
| August 27 | The prime rate was cut to 7-1/2 percent from 8 percent. |
| August 28 | General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent. |
| September 4 | Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17. |
| September 5 | California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income. |
| September 11 | The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89. |
| October 22 | President Reagan signs the tax reform bill into law, the first full scale remodification since 1954. |
| October 27-December 13 | Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike |
| November 1 | The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only. |

## CHRONOLOGY--Continued

### 1987

| | |
|---|---|
| January 1 | California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction. |
| | Fannie Mae raises mortgage ceiling to $153,100 from $133,250. |
| | OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel. |
| January 8 | The Dow Jones Industrial average topped the 2000 mark. |
| January 19 | The Dow Jones Industrial average topped the 2100 mark. |
| January 19 | The California Trade Office opened in Tokyo. |
| | The dollar fell to a record low against the yen--150.49 yen to the dollar. |
| January 22 | The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67. |
| February 5 | Brazil suspends interest payments on commercial debt. |
| | The Dow Jones Industrial average topped the 2200 mark. |
| March 5 | Ecuador is rocked by severe earthquake. |
| March 16 | Fannie Mae announces it will not enter home equity loan market. |
| March 20 | The Dow Jones Industrial average topped the 2300 mark. |
| March 24 | U.S. dollar falls to post WW II low--148.5 yen to the dollar. |
| April 1 | The prime rate increased from 7-1/2 to 7-3/4 percent. |
| April 6 | The Dow Jones Industrial average topped the 2400 mark. |
| April 13 | The California Trade Office opened in London. |
| May 1 | The prime rate was increased from 7-3/4 percent to 8 percent. |
| May 5 | Immigration amnesty program in effect. |
| May 7 | The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury. |
| May 15 | The prime rate was increased to 8-1/4 percent from 8 percent. |
| May 17 | The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf. |
| June 1 | Penalties in place for employers of illegal aliens. |
| July 17 | Dow Jones Industrials close over 2,500 for the first time. |
| July 22 | Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf. |
| August 10 | Dow Jones index closes over 2,600 for 1st time. |
| August 11 | Alan Greenspan sworn in as Chairman of the Federal Reserve Board. |
| August 17 | Dow Jones index closes over 2,700 for 1st time. |

## CHRONOLOGY--Continued

### 1987--Continued

| | |
|---|---|
| September 4 | Discount rate raised from 5-1/2 percent to 6 percent. |
| | Prime rate raised from 8-1/4 percent to 8-3/4 percent. |
| October 1 | Severe earthquake hits Southern California. Epicenter near Whittier. |
| October 7 | Prime rate raised from 8-3/4 percent to 9-3/4 percent. |
| October 14 | Dow Jones Industrials fall a record 95 points. |
| October 15 | Dow Jones Industrials down 58 points. |
| October 16 | Dow Jones Industrials down a record 108 points. |
| October 19 | Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points. |
| October 21 | Dow up a record 187 points. |
| October 22 | Prime rate cut to 9 percent from 9-1/4 percent. |
| November 2 | Dollar falls to 40 year low of 136.95 Yen. |
| November 5 | Prime rate cut to 8-3/4 percent from 9 percent. |
| November 23-November 24 | Severe earthquakes hit Imperial County. |
| November 30 | Dollar hits postwar lows against Yen and Mark. |

### 1988

| | |
|---|---|
| February 3 | Prime rate cut to 8.5 percent from 8.75 percent. |
| March 7-August 7 | Television writers strike. |

### 1988--Continued

| | |
|---|---|
| May 12 | Prime rate raised from 8.5 percent to 9 percent. |
| July 1 | California's minimum wage raised from $3.35 to $4.25. |
| July 3 | U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf. |
| July 14 | Prime rate raised from 9 percent to 9-1/2 percent. |
| August 9 | Discount rate raised from 6 percent to 6-1/2 percent. |
| August 11 | Prime rate raised from 9-1/2 percent to 10 percent. |
| November 28 | Prime rate raised from 10 percent to 10-1/2 percent. |
| December 8 | Severe earthquake hits Soviet Armenia; death toll more than 100,000. |
| December 21 | Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash. |

### 1989

| | |
|---|---|
| February 10 | Prime rate raised from 10-1/2 percent to 11 percent. |
| February 24 | Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent. |
| March 4 | International Association of Machinists strike against Eastern Airlines. |
| March 24 | Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil. |
| June 5 | Prime rate cut from 11-1/2 percent to 11 percent. |

**CHRONOLOGY--Continued**

1989--Continued

| | |
|---|---|
| July 10 | Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent. |
| July 19 | DC-10 crashes at Sioux City; hydraulic systems failure cited as cause. |
| July 31 | Most major banks cut prime rate to 10-1/2 percent. |
| September 21 | Hurricane Hugo hits the Carolinas causing extensive property damage. |
| October 4-November 20 | International Association of Machinists strike Boeing. |
| October 17 | Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area. |
| November 30 | October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989. |

## REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

| Initial Trough | | Peak | | Terminal Trough | | Expansion (months) | Contraction (months) | Total (months) |
|---|---|---|---|---|---|---|---|---|
| Dec. | 1854 | June | 1857 | Dec | 1858 | 30 | 18 | 48 |
| Dec. | 1858 | Oct. | 1860 | June | 1861 | 22 | 8 | 30 |
| June | 1861 | April | 1865 | Dec. | 1867 | 46 | 32 | 78 |
| Dec. | 1867 | June | 1869 | Dec. | 1870 | 18 | 18 | 36 |
| Dec. | 1870 | Oct. | 1873 | March | 1879 | 34 | 65 | 99 |
| March | 1879 | March | 1882 | May | 1885 | 36 | 38 | 74 |
| May | 1885 | March | 1887 | April | 1888 | 22 | 13 | 35 |
| April | 1888 | July | 1890 | May | 1891 | 27 | 10 | 37 |
| May | 1891 | Jan. | 1893 | June | 1894 | 20 | 17 | 37 |
| June | 1894 | Dec. | 1895 | June | 1897 | 18 | 18 | 36 |
| June | 1897 | June | 1899 | Dec. | 1900 | 24 | 18 | 42 |
| Dec. | 1900 | Sept. | 1902 | Aug. | 1904 | 21 | 23 | 44 |
| Aug. | 1904 | May | 1907 | June | 1908 | 33 | 13 | 46 |
| June | 1908 | Jan. | 1910 | Jan. | 1912 | 19 | 24 | 43 |
| Jan. | 1912 | Jan. | 1913 | Dec. | 1914 | 12 | 23 | 35 |
| Dec. | 1914 | Aug. | 1918 | March | 1919 | 44 | 7 | 51 |
| March | 1919 | Jan. | 1920 | July | 1921 | 10 | 18 | 28 |
| July | 1921 | May | 1923 | July | 1924 | 22 | 14 | 36 |
| July | 1924 | Oct. | 1926 | Nov. | 1927 | 27 | 13 | 40 |
| Nov. | 1927 | Aug. | 1929 | March | 1933 | 21 | 43 | 64 |
| March | 1933 | May | 1937 | June | 1938 | 50 | 13 | 63 |
| June | 1938 | Feb. | 1945 | Oct. | 1945 | 80 | 8 | 88 |
| Oct. | 1945 | Nov. | 1948 | Oct. | 1949 | 37 | 11 | 48 |
| Oct. | 1949 | July | 1953 | May | 1954 | 45 | 10 | 55 |
| May | 1954 | Aug. | 1957 | April | 1958 | 39 | 8 | 47 |
| April | 1958 | April | 1960 | Feb. | 1961 | 24 | 10 | 34 |
| Feb. | 1961 | Dec. | 1969 | Nov. | 1970 | 106 | 11 | 117 |
| Nov. | 1970 | Nov. | 1973 | March | 1975 | 36 | 16 | 52 |
| March | 1975 | Jan. | 1980 | July | 1980 | 58 | 6 | 64 |
| July | 1980 | July | 1981 | Nov. | 1982 | 12 | 16 | 28 |

## SOURCES OF STATISTICAL SERIES

| | |
|---|---|
| Employment Development Department<br>Employment Data and Research | Civilian employment<br>Unemployment<br>Unemployment rate<br>Hours and earnings<br>Initial claims for unemployment insurance<br>Insured unemployment, average weeks claimed |
| Department of Industrial Relations<br>Division of Labor Statistics and Research | California consumer price index |
| Department of Finance | Personal income<br>Wages and salaries<br>Nonagricultural employment<br>Manufacturing employment |
| Department of Motor Vehicles | New auto registrations |
| State Board of Equalization | Taxable sales |
| U.S. Department of Commerce | Retail sales<br>Housing units authorized<br>Construction valuation |
| U.S. Bureau of Labor Statistics | Consumer price indices |
| U.S. Department of Energy | Electricity production |
| U.S. Department of Defense | Prime defense contracts |
| Conservation Committee of California Oil Producers | Petroleum production |
| U.S. Bureau of Mines | Cement production |
| California Secretary of State | New business incorporations |
| Coldwell Banker | Vacancy rates |
| California Association of Realtors | Existing family home data |
| Construction Industry Research Board | Housing units authorized<br>Construction valuation |

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# CALIFORNIA ECONOMIC INDICATORS

## January/February 1990

DEPARTMENT OF FINANCE

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## INTRODUCTION

*California Economic Indicators* is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

| Beginning Subscription Date | Prorated Amount Due |
|---|---|
| January | $8.00 |
| March | 6.75 |
| May | 5.40 |
| July | 4.05 |
| September | 2.70 |
| November | 1.35 |

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## REVIEW OF ECONOMIC DEVELOPMENTS

The slowing of the nation's economy, as evidenced by the 0.5 percent rise in fourth quarter gross national product, is being reflected in California economic data as well. This should not be surprising, since the state accounts for roughly 13 percent of the nation's economic activity. By most measures, however, California continues to outperform the nation.

Employment gains were sluggish in December, with nonfarm payrolls increasing only 11,000 from the November level. The year-over-year increase amounted to 2 percent. California manufacturing continues to grow, in the face of a nine-month slide in the factory sector nationwide. In December, California added 6,000 new manufacturing jobs. Most other sectors were up only slightly or unchanged on the month.

The current estimates do not fully capture the effects of bonus activity in the services and retail trade sectors, and are likely to be revised upward over the next few months as actual payroll data are received. The year-end bonus payments effect employment data, because many of the recipients are counted as "employed" only during the month in which the bonus is paid. State income tax withholding experience suggests that there was another strong surge of bonus payments at the end of 1989.

The state's unemployment rate rose slightly, to 5.3 percent in December from November's 5 percent reading. The jobless rate averaged 5 percent in the fourth quarter and 5.1 percent for all of 1989.

Retail sales in California are outpacing the nation by a considerable margin, according to the U.S. Commerce Department estimates. November sales in California were up 6.6 percent over the comparable 1988 figure, while nationally sales rose just 4.3 percent, before seasonal adjustment. Adjusted for seasonal and trading day differences, nationwide sales were up only 3.3 percent from November 1988.

The effects of the earthquake on Bay Area retail sales appear to have been short-lived. October sales in the ten county area (the nine Bay Area counties plus Santa Cruz) were virtually unchanged from September, in line with seasonal expectations, and were up 11.3 percent from October 1988. November sales rose 4 percent from October, also in line with seasonal expectations. Through 11 months, total Bay Area sales were up 18 percent, compared to a 9.4 percent increase statewide and a 5.3 percent gain nationally. Bay Area department store sales were somewhat weak in October, but this was offset by a strong gain in November.

California consumer prices advanced 4.8 percent from December 1988 to the end of 1989. The increase was about the same as the nation's 4.6 percent rise. Prices rose 5.2 percent in the Los Angeles region and 3.9 percent in the San Francisco Bay Area. Both California areas experienced large increases in the "other" category, which includes tobacco products and private school and college tuition. California tobacco taxes increased sharply last January, following a voter initiative, and tuition charges have been rising rapidly for several years.

The larger increase in Los Angeles mainly reflected a 6.3 percent increase in homeowners' costs, compared to 5.1 percent nationally and 3.3 percent in the Bay Area. Homeowners' costs do not directly reflect home prices, but instead are based on rents for single family and condominium units. Single family rents have not kept pace with house prices in recent years, suggesting that many investors are counting on

**1989 CONSUMER PRICE INDEX**
**December Annual Percent Change**

| | US | LA | SF |
|---|---|---|---|
| All Items | 4.6 | 5.2 | 3.9 |
| Food | 5.6 | 5.7 | 5.6 |
| Rent | 4.2 | 4.1 | 5.2 |
| Homeownership | 5.1 | 6.3 | 3.3 |
| Utilities | 3.2 | 3.4 | 3.2 |
| Apparel | 1.0 | 4.8 | 3.5 |
| Transportation | 3.8 | 4.3 | 2.5 |
| Medical Care | 8.5 | 8.0 | 8.1 |
| Entertainment | 5.1 | 5.3 | -0.2 |
| Other | 6.5 | 10.9 | 7.7 |

Source: U.S. Bureau of Labor Statistics

appreciation rather than current income as a source of profit.

Home sales prices--and volume--continue to soften, according to the California Association of *Realtors*. The median sales price in December was $188,500, down $14,000 from the July peak, but still $11,000 or 6.7 percent higher than a year ago. In part, the drop reflects a shift in sales activity to less expensive inland areas such as Riverside, San Bernardino and Sacramento counties, as well as the normal seasonal pattern of softness during the fall and winter months. Still, recent trends are in sharp contrast to the early 1989 market, when median prices were showing annual gains of 27 percent and more.

California homebuilding activity remained strong in 1989, with permits totalling 236,000. The figure was off 5 percent from the 1988 total, compared to a national decline of 8 percent. California increased its share of U.S. housing permits to 17.6 percent last year from 17.3 percent in 1988. The housing figures are based on the U.S Commerce Department C-40 series, and differ slightly from homebuilding data previously reported in *Indicators*.

California's population posted another record increase during 1988-89, rising 740,000 or 2.6 percent to 29,063,000 as of July 1, 1989, according to Department of Finance and U.S. Census Bureau estimates. Since 1985, California has accounted for 28.5 percent of the nation's total population growth. Throughout the 1980s, the state has accounted for one of every four new U.S. residents.

Riverside and Sacramento counties passed the one million mark for the first time last year. Riverside County was the fastest growing in percentage terms, followed by Calaveras and Amador counties. Los Angeles, San Diego and San Bernardino counties added the most new residents in 1989. In percentage terms, the Mother Lode country in the Sierra foothills continued to be the fastest growing region in the state last year.

**1989 POPULATION - LEADING STATES**
Thousands

| | July 1 1989 | Change from 1985 | |
|---|---|---|---|
| | | Number | % of US |
| California | 29,063 | 2,709 | 28.5% |
| New York | 17,950 | 182 | 1.9% |
| Texas | 16,991 | 612 | 6.4% |
| Florida | 12,671 | 1,303 | 13.7% |
| Pennsylvania | 12,040 | 174 | 1.8% |
| Illinois | 11,658 | 119 | 1.3% |
| Ohio | 10,907 | 132 | 1.4% |
| Michigan | 9,273 | 185 | 1.9% |
| New Jersey | 7,736 | 168 | 1.8% |
| North Carolina | 6,571 | 312 | 3.3% |
| US Total | 248,239 | 9,503 | 100.0% |

Source: U.S. Bureau of the Census

**CALIFORNIA POPULATION, JULY 1989**
Leading Counties

| | Total Population | | Percent Change 1988-89 | | Numeric Change 1988-89 | |
|---|---|---|---|---|---|---|
| 1 | Los Angeles | 8,710,400 | Riverside | 7.8 | Los Angeles | 121,600 |
| 2 | San Diego | 2,459,500 | Calaveras | 7.7 | San Diego | 89,100 |
| 3 | Orange | 2,301,200 | Amador | 7.5 | San Bernardino | 86,300 |
| 4 | Santa Clara | 1,454,700 | San Bernardino | 6.7 | Riverside | 76,700 |
| 5 | San Bernardino | 1,378,800 | El Dorado | 6.4 | Orange | 44,000 |
| 6 | Alameda | 1,261,500 | Kings | 5.5 | Sacramento | 30,100 |
| 7 | Riverside | 1,062,700 | Solano | 5.3 | Contra Costa | 24,500 |
| 8 | Sacramento | 1,007,300 | Stanislaus | 5.0 | Santa Clara | 21,700 |
| 9 | Contra Costa | 790,000 | San Benito | 4.9 | Fresno | 19,900 |
| 10 | San Francisco | 727,400 | Placer | 4.9 | Alameda | 18,800 |

Source: California Department of Finance, Demographic Research Unit

## OUTLOOK: STILL GROWING, JUST SLOWER

**The Nation.** The nation's economy continued on a path of growth in 1989, although signs of weakening emerged in the latter part of the year. Passing the seven-year mark in November, this has been by far the longest peacetime expansion on record.

To review developments in 1989, real GNP increased 2.9 percent with gains in consumer spending accounting for over half of the increase. Business investment continued to gain, albeit at a considerably slower pace than in the previous year. Net exports, though still negative, improved largely due to the lower value of the dollar during the first half of the year.

Growth in non-agricultural wage and salary employment was slightly under 3 percent. The nation's annual jobless rate dropped for the seventh year in a row to 5.3 percent. The Consumer Price Index increased by 4.8 percent during the year.

The outlook recognizes the weakness that developed in the latter part of 1989. Fourth quarter GNP was virtually flat. It is expected that economic growth will remain sluggish through the first half of 1990 and rebound moderately in the second half.

There are few signs of imbalances which would lead to a downturn. Plant and equipment investment is expected to increase slowly. Mortgage rates have been trending down in recent months and should support home building activity in coming quarters. New auto sales are forecast to be just under 10 million in 1990. Net exports are likely to deteriorate modestly due to a stronger dollar, in real terms remaining in the -$60 to $-70 billion range through 1991.

Inflation is expected to be moderate with consumer prices up 4.5 percent in 1990 and 5.1 percent in 1991. Real GNP is forecast up 2.1 percent for the current year and 2.9 percent for the next.

**California.** Reflecting the national situation, the California economy grew a moderate pace during 1989. The trend is expected to continue through 1991.

Non-agricultural wage and salary employment grew by 3.1 percent in 1989, slightly higher than the nation. The state's unemployment rate averaged 5.1 percent for the year, the lowest annual rate since 1969.

Personal income growth, estimated at 7.7 percent, was restrained by the Northern California earthquake. The earthquake reduced income growth by about $2 billion or 0.3 percent, reflecting one-time charges against rental and proprietors' income representing damage to structures. Wage losses were relatively small and were largely offset by rebuilding and repair efforts in the utility and construction sectors.

The other major distortion in California personal income is the new pattern of wage payments as a result of Federal Income Tax reform, discussed in earlier *Indicators*.

California is expected to outpace the nation, with income supported by earthquake recovery and rebuilding. Personal income growth is forecast at 8.8 percent this year, of which 0.5 to 0.6 percent is attributed to earthquake recovery, and 8.4 percent in 1991. Employment growth is expected to stay at 3.1 percent for 1990 and rise slightly to 3.4 percent in 1991.

Manufacturing employment will see little change in 1990 and resume moderate growth next year. The aerospace sector is beginning to show some weakness due to reduced Defense Department contracting but the pattern in the sector is uneven. Aided by strong commercial demand, aircraft manufacturing is expanding despite the close-down of the B-1 bomber program. Private and government outlays have maintained employment in the missile and space vehicle industry. Weakness has been concentrated in instruments.

Construction employment will receive a boost in 1990 from earthquake rebuilding efforts as well as on-going strong demand for housing, especially in the more affordable inland areas of the state. Services employment, which grew at 5 percent in 1989 is expected to maintain that growth rate through 1991. Government and trade employment will roughly match the overall rate of job growth over the next two years, while the utility and financial sectors continue to lag.

Consumer price increases in California are expected to be somewhat higher than for the nation. The California consumer price index is forecast up 4.7 percent in 1990 and 5.4 percent in 1991.

## SELECTED NATIONAL ECONOMIC INDICATORS

| | | | Percent Change - Prior Year | |
|---|---|---|---|---|
| | 1990 | 1991 | 1990 | 1991 |
| **REAL GNP (1982$ Bil)** | 4,228.0 | 4,349.3 | 2.1 | 2.9 |
| **REAL FINAL SALES (1982$ Bil)** | 4,212.0 | 4,329.3 | 2.3 | 2.8 |
| **PERSONAL INCOME ($ Bil)** | 4,737.7 | 5,122.9 | 7.1 | 8.1 |
| Savings Rate | 5.6% | 5.6% | | |
| **EMPLOYMENT** | | | | |
| Civilian Labor Force (Mil) | 125.7 | 127.8 | 1.5 | 1.7 |
| Civilian Employment (Mil) | 119.1 | 121.5 | 1.5 | 2.0 |
| Unemployment (Mil) | 6.5 | 6.3 | 1.2 | -3.3 |
| Unemployment Rate (Pct) | 5.2% | 5.0% | | |
| Non-Farm W&S Empl (Mil) | 111.3 | 114.7 | 2.5 | 3.0 |
| **FINANCIAL INDICATORS** | | | | |
| Money Supply M1 ($Bil) | 803.1 | 841.3 | 2.6 | 4.8 |
| Money Supply M2 ($Bil) | 3,314.8 | 3,547.2 | 6.3 | 7.0 |
| Federal Funds Rate (Pct) | 7.8 | 7.7 | | |
| Bank Prime Rate (Pct) | 9.5 | 9.3 | | |
| Mortgage Rate (Pct) | 9.4 | 9.6 | | |
| Trade Weighted Dollar | 94.5 | 98.6 | -4.0 | 4.4 |
| Cons. Install. Credit ($Bil) | 747.1 | 817.5 | 6.7 | 9.4 |
| **PRICES** | | | | |
| CPI All Items (1982-84=100) | 129.4 | 136.0 | 4.5 | 5.1 |
| GNP Deflator (1982=100) | 131.4 | 137.3 | 4.1 | 4.4 |
| **PRODUCTION AND SALES** | | | | |
| Industrial Production (67=100) | 141.0 | 145.5 | -0.3 | 3.2 |
| Housing Starts (Millions) | 1.46 | 1.47 | 4.9 | 0.7 |
| New Car Sales (Millions) | 9.9 | 10.4 | -1.0 | 4.8 |
| Output per Manhour (1982$/hr) | 11.02 | 11.05 | 0.2 | 0.3 |
| **CORPORATE PROFITS ($Bil)** | | | | |
| Profits w/IVA, CCA | 286.1 | 299.0 | -3.0 | 4.5 |
| Total Corporate Profits | 265.2 | 299.4 | -6.1 | 12.9 |
| Corporate Profits Taxes | 121.5 | 137.6 | -5.5 | 13.3 |
| Corporate Profits After Tax | 143.7 | 161.8 | -6.6 | 12.5 |

Note: 1990 percent changes calculated on estimated data.

## SELECTED CALIFORNIA ECONOMIC INDICATORS

| | | | Percent Change--Prior Year | |
|---|---|---|---|---|
| | 1990 | 1991 | 1990 | 1991 |
| **EMPLOYMENT AND UNEMPLOYMENT (Thous)** | | | | |
| Civilian Employment | 14,029 | 14,459 | 3.1 | 3.1 |
| Unemployment Rate (%) | 5.1% | 5.1% | | |
| Nonagricultural Employment | 12,899 | 13,333 | 3.1 | 3.4 |
| Mining | 40 | 41 | -0.7 | 2.3 |
| Construction | 684 | 700 | 5.0 | 2.3 |
| Manufacturing | 2,167 | 2,199 | 0.2 | 1.4 |
| Nondurable Goods | 726 | 742 | 1.9 | 2.3 |
| Durable Goods | 1,441 | 1,456 | -0.7 | 1.0 |
| Aerospace/Electronics | 732 | 732 | -1.6 | 0.0 |
| Transportation-Utilities | 620 | 634 | 2.7 | 2.3 |
| Wholesale-Retail Trade | 3,045 | 3,164 | 3.0 | 3.9 |
| Finance,Insurance,Real Est. | 836 | 855 | 2.0 | 2.3 |
| Services | 3,428 | 3,603 | 4.9 | 5.1 |
| Government | 2,080 | 2,138 | 3.5 | 2.8 |
| **PERSONAL INCOME ($Mil)** | | | | |
| Total Personal Income | 622,723 | 675,240 | 8.8 | 8.4 |
| Wages and Salaries | 372,612 | 403,779 | 8.8 | 8.4 |
| Other Labor Income | 35,970 | 39,126 | 9.5 | 8.8 |
| Proprietors' Income | 56,634 | 61,236 | 9.1 | 8.1 |
| Farm | 5,356 | 5,725 | 8.6 | 6.9 |
| Nonfarm | 51,277 | 55,511 | 9.2 | 8.3 |
| Interest, Dividends, Rent | 106,701 | 117,092 | 10.2 | 9.7 |
| Transfer Payments | 81,386 | 87,376 | 8.0 | 7.4 |
| Less: Contributions for Social Insurance | 30,873 | 33,677 | 11.2 | 9.1 |
| Residence Adjustment | 296 | 310 | | |
| Less: Personal Taxes | 91,465 | 100,419 | 8.9 | 9.8 |
| Disposable Personal Income | 531,258 | 574,821 | 8.9 | 8.2 |
| **CONSUMER PRICE INDEX (1982-84=100)** | | | | |
| California CPI | 134.1 | 141.3 | 4.7 | 5.4 |
| Los Angeles CPI | 134.5 | 141.6 | 4.8 | 5.3 |
| San Francisco CPI | 132.1 | 139.4 | 4.5 | 5.5 |
| **HOMEBUILDING (Thousands)** | | | | |
| Total Housing Units Authorized | 236 | 237 | 3.4 | 0.2 |
| Single Family | 163 | 160 | 2.4 | -2.0 |
| Units in Multiples | 73 | 77 | 5.8 | 5.1 |

Note: 1990 percent changes calculated on estimated data.

## EMPLOYMENT
(Seasonally Adjusted)

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Dec | Nov | Oct | Sep | Dec | % Change |
| Civilian employment (000) | 13,611 | 13,715 | 13,767 | 13,716 | 13,524 | 0.6 |
| Unemployment (000) | 759 | 725 | 690 | 736 | 674 | 12.6 |
| Unemployment rate | 5.3 | 5.0 | 4.8 | 5.1 | 4.7 | -- |
| Nonagricultural wage and salary employment a/ (000) | 12,690.3 | 12,678.9 | 12,626.5 | 12,598.1 | 12,457.5 | 1.9 |
| Mining | 39.0 | 39.4 | 39.7 | 40.6 | 40.4 | -3.5 |
| Construction | 666.3 | 664.8 | 662.0 | 656.0 | 637.5 | 4.5 |
| Manufacturing | 2,171.1 | 2,165.2 | 2,161.2 | 2,156.4 | 2,184.9 | -0.6 |
| High technology b/ | n.a. | 737.5 | 737.7 | 739.0 | 750.7 | -- |
| Transportation and public utilities | 611.1 | 612.2 | 611.0 | 608.6 | 600.3 | 1.8 |
| Trade | 2,992.7 | 2,991.8 | 2,985.5 | 2,980.1 | 2,950.7 | 1.4 |
| Finance, insurance, and real estate | 832.5 | 830.3 | 826.8 | 827.8 | 835.1 | -0.3 |
| Services | 3,337.7 | 3,338.8 | 3,309.9 | 3,298.8 | 3,242.5 | 2.9 |
| Government | 2,040.0 | 2,036.5 | 2,030.4 | 2,029.8 | 1,966.2 | 3.8 |
| Federal | 361.9 | 362.0 | 361.0 | 359.8 | 359.5 | 0.7 |
| State and local | 1,678.1 | 1,674.4 | 1,669.4 | 1,670.0 | 1,606.7 | 4.4 |

## HOURS AND EARNINGS IN MANUFACTURING

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Nov | Oct | Sep | Aug | Nov | % Change |
| Average weekly hours c/ | 41.1 | 40.6 | 40.6 | 40.8 | 40.9 | 0.5 |
| Average weekly earnings c/ | $465.25 | $456.75 | $458.37 | $456.55 | $446.63 | 4.2 |
| Average hourly earnings c/ | $11.32 | $11.25 | $11.29 | $11.19 | $10.92 | 3.7 |

## PRODUCTION

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Nov | Oct | Sep | Aug | Nov | % Change |
| Petroleum (000 barrels daily) c/ | n.a. | 984 | 990 | 997 | 1,031 | -- |
| Portland cement (000 short tons) c/ | 903.5 | 943.6 | 896.2 | 1,114.9 | 877.1 | 3.0 |

## TRADE
(Seasonally Adjusted)

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Nov | Oct | Sep | Aug | Nov | % Change |
| Retail sales ($ millions) | 18,049 | 17,471 | 17,969 | 17,945 | 16,925 | 6.6 |
| New auto registrations (number) | 121,858 | 125,731 | 111,109 | 125,949 | 124,517 | -2.1 |

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

## CONSUMER PRICE INDEX
(1982-84 =100)

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Dec | Nov | Oct | Sep | Dec | % Change |
| All Urban Consumers Series | | | | | | |
| California Average | 129.9 | 129.4 | 129.5 | 129.4 | 124.0 | 4.8 |
| San Francisco CMSA | 127.4 | 127.2 | 127.5 | 126.8 | 122.6 | 3.9 |
| Los Angeles CMSA | 130.6 | 130.0 | 130.0 | 130.1 | 124.2 | 5.2 |
| Wage Earners and Clerical Workers Series | | | | | | |
| California Average | 126.7 | 126.2 | 126.4 | 126.2 | 121.0 | 4.7 |
| San Francisco CMSA | 126.6 | 126.4 | 126.7 | 126.1 | 121.5 | 4.2 |
| Los Angeles CMSA | 127.0 | 126.4 | 126.5 | 126.5 | 121.1 | 4.9 |

## CONSTRUCTION

| | 1989 | | | | 1988 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Dec | Nov | Oct | Sep | Dec | % Change |
| Private residential housing units authorized (000) a/ | 275.6 | 234.3 | 248.7 | 226.0 | 233.1 | 18.2 |
| Single units | 182.9 | 168.6 | 178.3 | 158.0 | 159.5 | 14.7 |
| Multiple units | 92.7 | 65.7 | 70.4 | 68.0 | 73.6 | 26.0 |
| Residential building authorized valuation (millions) b/c/ | $2,135 | $1,897 | $1,991 | $1,825 | $1,847 | 15.6 |
| Nonresidential building authorized valuation (millions) b/ | $852 | $893 | $952 | $832 | $1,061 | -19.7 |
| Nonresidential building authorized valuation (millions) d/ | $739 | $843 | $994 | $894 | $923 | -19.9 |
| Commercial | n.a. | n.a. | n.a. | $315 | $341 | -- |
| Industrial | n.a. | n.a. | n.a. | $113 | $171 | -- |
| Other | n.a. | n.a. | n.a. | $94 | $114 | -- |
| Alterations and additions | n.a. | n.a. | n.a. | $373 | $296 | -- |

## VACANCY RATES FOR DECEMBER 1989
(Percent)

| | Office | | | Industrial |
|---|---|---|---|---|
| | Total | Downtown | Suburban | |
| Northern and Central California | | | | 6.9 |
| Oakland-East Bay | 18.5 | 10.3 | 20.7 | |
| Sacramento | 18.8 | 12.8 | 20.7 | |
| San Francisco | 14.5 | 13.6 | 15.7 | |
| San Jose | 14.6 | 20.2 | 13.0 | |
| Southern California | | | | 6.5 |
| Los Angeles | 15.9 | 13.4 | 16.4 | |
| Orange County | 21.9 | -- | 21.9 | |
| San Diego | 21.5 | 16.0 | 23.0 | |
| Ventura County | 18.7 | -- | 18.7 | |
| National Average | 20.0 | 16.7 | 21.4 | 6.4 |

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Excludes alterations and additions.
d/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

## MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

| 1988 | | | | 1989 | | | |
|---|---|---|---|---|---|---|---|
| Jan | $150,010 | Jul | $174,388 | Jan | $184,711 | Jul | $202,650 |
| Feb | $149,847 | Aug | $174,750 | Feb | $191,352 | Aug | $201,028 |
| Mar | $154,130 | Sep | $177,107 | Mar | $195,815 | Sep | $199,606 |
| Apr | $158,571 | Oct | $178,499 | Apr | $200,784 | Oct | $193,557 |
| May | $163,578 | Nov | $181,328 | May | $201,930 | Nov | $195,400 |
| Jun | $170,185 | Dec | $177,285 | Jun | $200,445 | Dec | $188,477 |

## LEADING INDICATORS a/

| | | Manufacturing | | New |
|---|---|---|---|---|
| | | Overtime Hours | Average Weekly Hours | Business Incorporations |
| 1988 | Apr | 3.9 | 40.8 | 4,673 |
| | May | 3.8 | 40.7 | 4,992 |
| | Jun | 3.8 | 40.7 | 4,949 |
| | Jul | 3.8 | 40.8 | 4,523 |
| | Aug | 3.9 | 40.8 | 5,015 |
| | Sep | 3.9 | 40.7 | 4,499 |
| | Oct | 3.8 | 40.7 | 4,850 |
| | Nov | 3.6 | 40.5 | 4,784 |
| | Dec | 3.7 | 40.6 | 4,779 |
| 1989 | Jan | 3.8 | 40.6 | 5,580 |
| | Feb | 3.9 | 41.0 | 4,103 |
| | Mar | 3.8 | 40.9 | 4,876 |
| | Apr | 3.9 | 41.1 | 4,168 |
| | May | 3.8 | 40.7 | 5,269 |
| | Jun | 3.8 | 40.8 | 4,292 |
| | Jul | 3.9 | 40.9 | 3,943 |
| | Aug | 3.9 | 40.9 | 4,299 |
| | Sep | 3.9 | 40.5 | 3,672 |
| | Oct | 3.9 | 40.6 | 4,135 |
| | Nov | 3.8 | 40.7 | 4,503 |
| | Dec | n.a. | n.a. | 3,802 |

| | | Unemployment Insurance Initial Claims | Housing Unit Authorizations (Thousands) |
|---|---|---|---|
| 1988 | Apr | 52,353 | 240.2 |
| | May | 53,241 | 231.2 |
| | Jun | 52,579 | 255.1 |
| | Jul | 53,823 | 221.4 |
| | Aug | 50,248 | 275.6 |
| | Sep | 51,619 | 244.0 |
| | Oct | 48,646 | 284.8 |
| | Nov | 48,762 | 314.0 |
| | Dec | 49,431 | 233.1 |
| 1989 | Jan | 50,723 | 251.3 |
| | Feb | 51,650 | 240.5 |
| | Mar | 53,264 | 227.8 |
| | Apr | 53,731 | 219.2 |
| | May | 54,868 | 250.1 |
| | Jun | 54,575 | 218.6 |
| | Jul | 53,681 | 234.5 |
| | Aug | 54,571 | 219.2 |
| | Sep | 53,245 | 226.0 |
| | Oct | 58,431 | 248.7 |
| | Nov | 50,648 | 234.3 |
| | Dec | 47,799 | 275.6 |

a/ Seasonally adjusted
n.a. Not available

## COINCIDENT INDICATORS a/

| | | Nonagricultural Employment (Thousands) | Manufacturing Employment (Thousands) | Unemployment Rate (Percent) | Unemployment Avg. Weeks Claimed (Thousands) |
|---|---|---|---|---|---|
| 1988 | Apr | 11,964 | 2,146 | 5.2 | 313 |
| | May | 11,983 | 2,142 | 6.1 | 332 |
| | Jun | 12,062 | 2,151 | 5.5 | 338 |
| | Jul | 12,182 | 2,169 | 5.4 | 324 |
| | Aug | 12,221 | 2,174 | 5.5 | 339 |
| | Sep | 12,265 | 2,181 | 5.1 | 314 |
| | Oct | 12,290 | 2,171 | 5.0 | 310 |
| | Nov | 12,363 | 2,176 | 5.2 | 324 |
| | Dec | 12,458 | 2,185 | 4.7 | 298 |
| 1989 | Jan | 12,283 | 2,167 | 5.0 | 329 |
| | Feb | 12,374 | 2,171 | 5.0 | 327 |
| | Mar | 12,444 | 2,175 | 4.5 | 339 |
| | Apr | 12,395 | 2,162 | 5.4 | 325 |
| | May | 12,430 | 2,159 | 5.5 | 325 |
| | Jun | 12,527 | 2,169 | 5.6 | 313 |
| | Jul | 12,592 | 2,163 | 5.3 | 322 |
| | Aug | 12,567 | 2,157 | 4.5 | 338 |
| | Sep | 12,598 | 2,156 | 5.1 | 320 |
| | Oct | 12,627 | 2,161 | 4.8 | 320 |
| | Nov | 12,679 | 2,165 | 5.0 | 341 |
| | Dec | 12,690 | 2,171 | 5.3 | 301 |

| | | Personal Income (Millions) | Wages & Salaries from Mining, Construction and Manufacturing (Millions) | Taxable Sales (Millions) |
|---|---|---|---|---|
| 1987 | Qtr I | $477,553 | $73,489 | $55,795 |
| | Qtr II | $491,846 | $76,719 | $57,725 |
| | Qtr III | $491,363 | $77,159 | $58,727 |
| | Qtr IV | $504,812 | $78,784 | $59,383 |
| 1988 | Qtr I | $512,471 | $80,407 | $61,268 |
| | Qtr II | $516,809 | $80,123 | $62,064 |
| | Qtr III | $539,311 | $83,622 | $62,875 |
| | Qtr IV | $555,282 | $84,320 | $64,649 |
| 1989 | Qtr I | $551,342 | $85,413 | $65,231 |
| | Qtr II | $562,002 | $85,537 | $67,634 |
| | Qtr III | $583,337 | $87,567 | n.a. |

## OTHER INDICATORS a/

| | | DOD Prime Contracts (Millions) |
|---|---|---|
| 1986 | Qtr I | $6,914 |
| | Qtr II | $6,075 |
| | Qtr III | $6,993 |
| | Qtr IV | $3,897 |
| 1987 | Qtr I | $5,794 |
| | Qtr II | $6,473 |
| | Qtr III | $8,264 |
| | Qtr IV | $3,579 |
| 1988 | Qtr I | $4,982 |
| | Qtr II | $10,642 |
| | Qtr III | $6,366 |

| | | Electricity Production (Million KWH) |
|---|---|---|
| 1988 | Apr | 10,287 |
| | May | 10,239 |
| | Jun | 9,957 |
| | Jul | 11,129 |
| | Aug | 10,666 |
| | Sep | 10,602 |
| | Oct | 9,671 |
| | Nov | 10,606 |
| | Dec | 10,565 |
| 1989 | Jan | 10,939 |
| | Feb | 12,203 |
| | Mar | 11,524 |
| | Apr | 10,964 |
| | May | 9,972 |
| | Jun | 10,678 |
| | Jul | 11,472 |
| | Aug | 10,884 |
| | Sep | 11,565 |
| | Oct | 10,346 |

a/ Seasonally adjusted

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

### TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

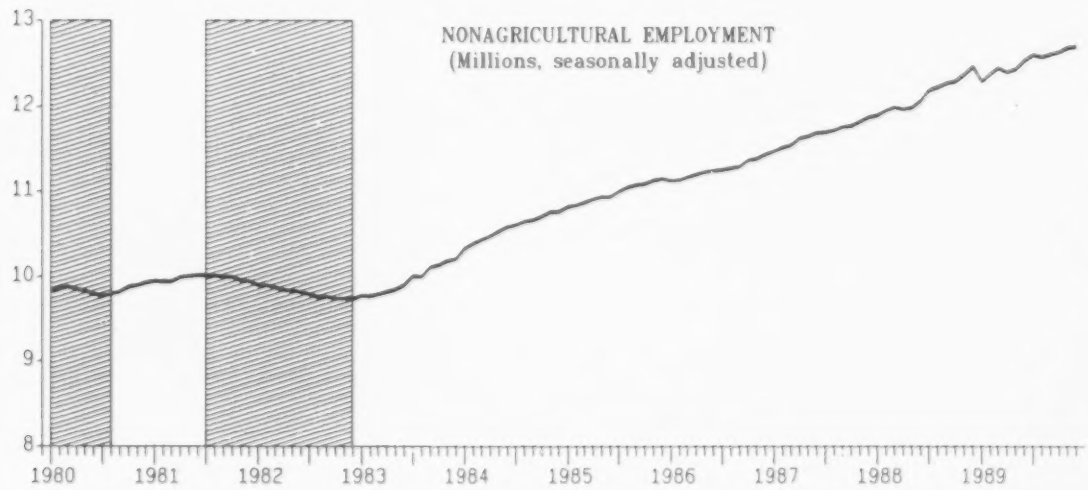
Manufacturing Employment

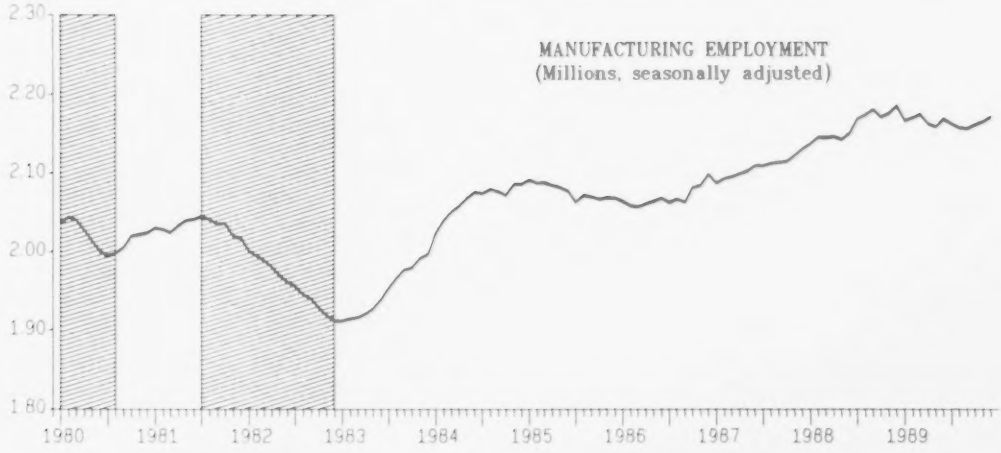
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

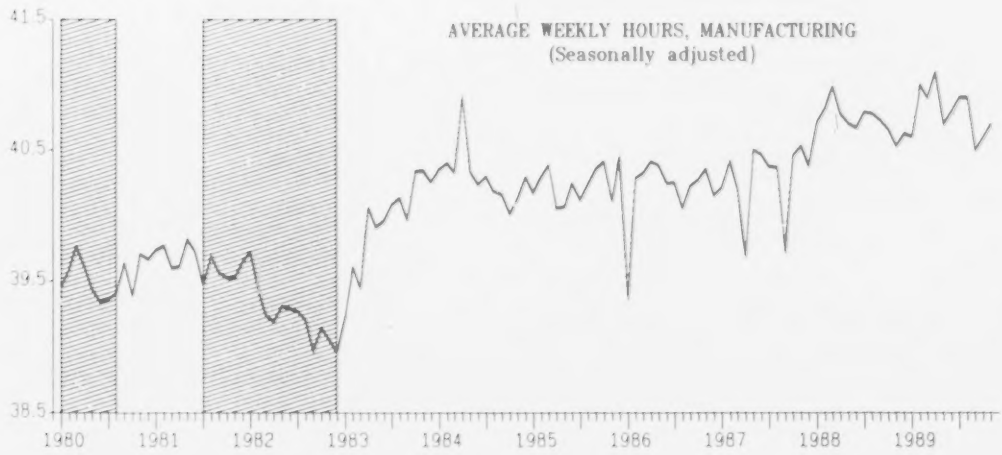
Taxable Sales

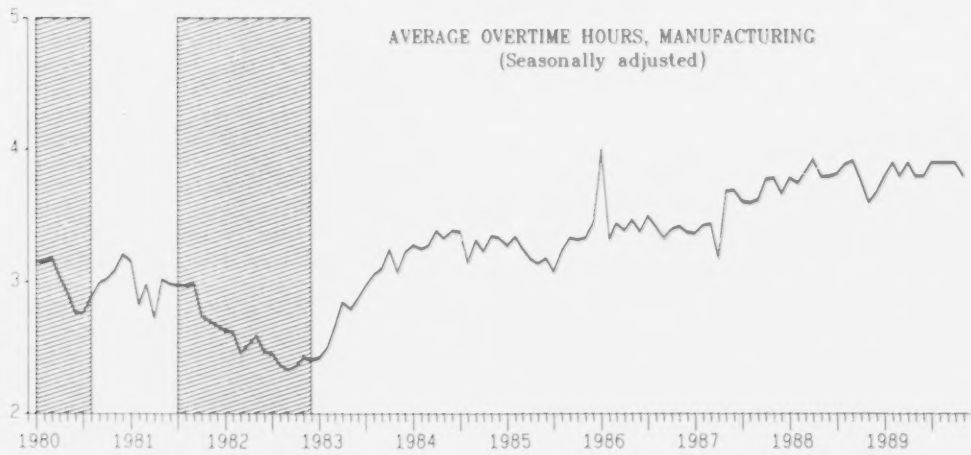
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

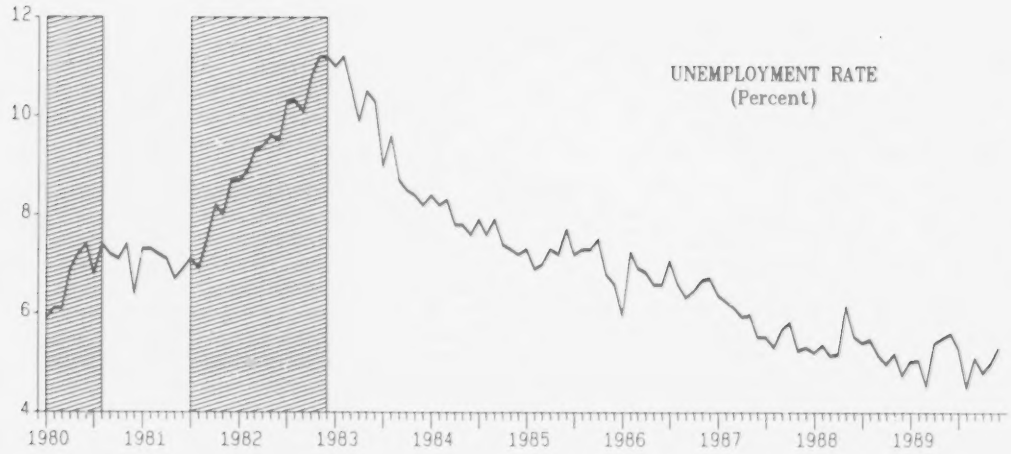
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



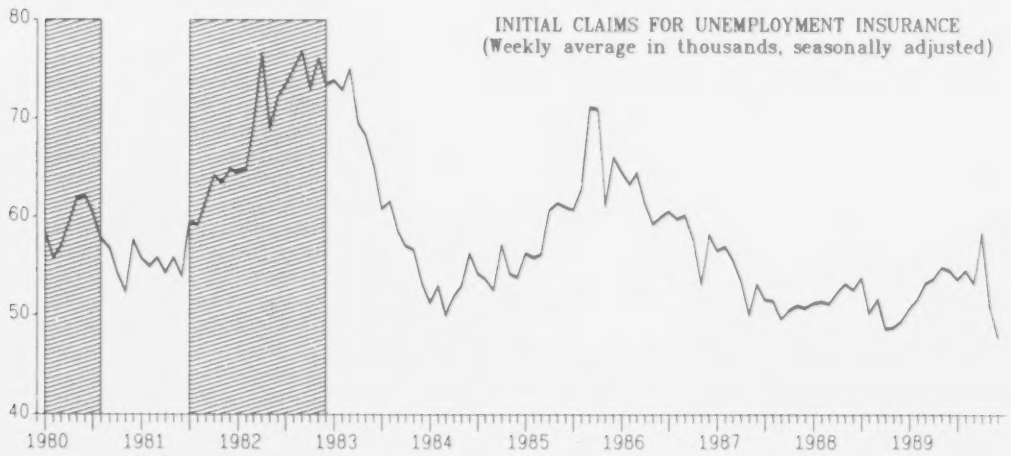

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

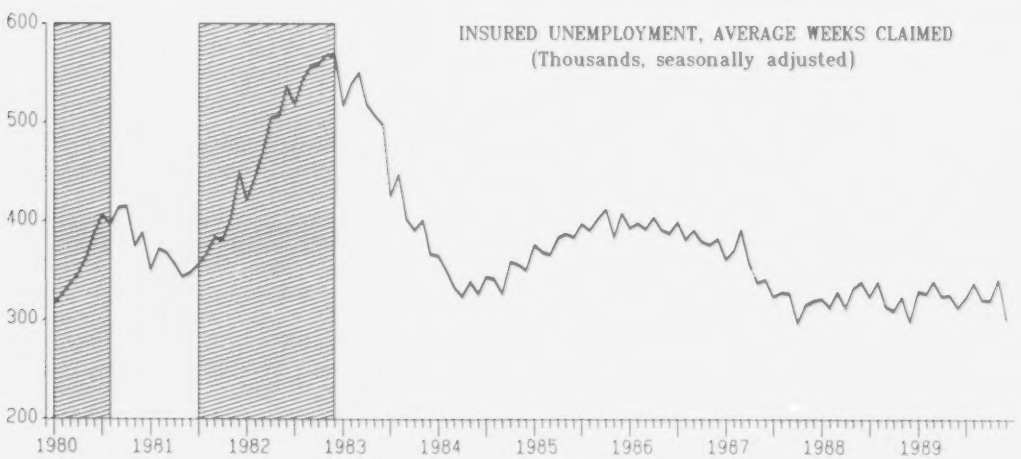

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989



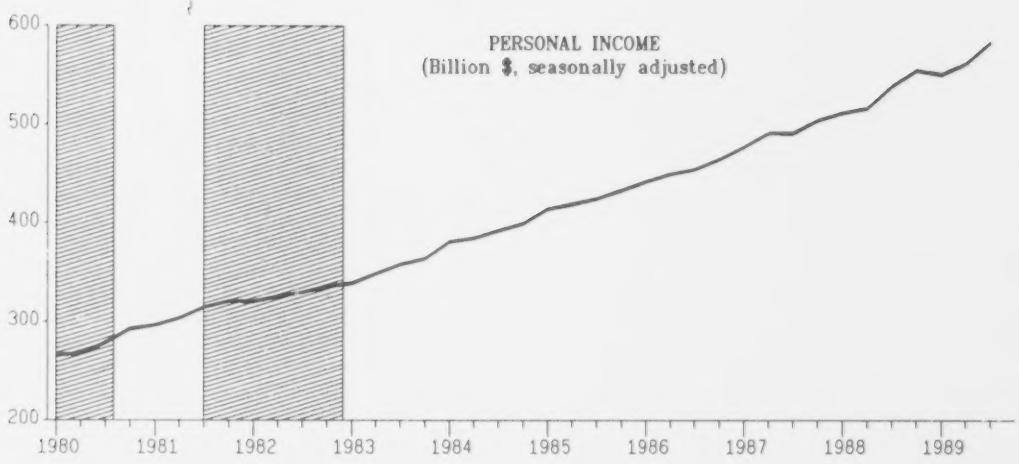

UNEMPLOYMENT RATE
(Percent)

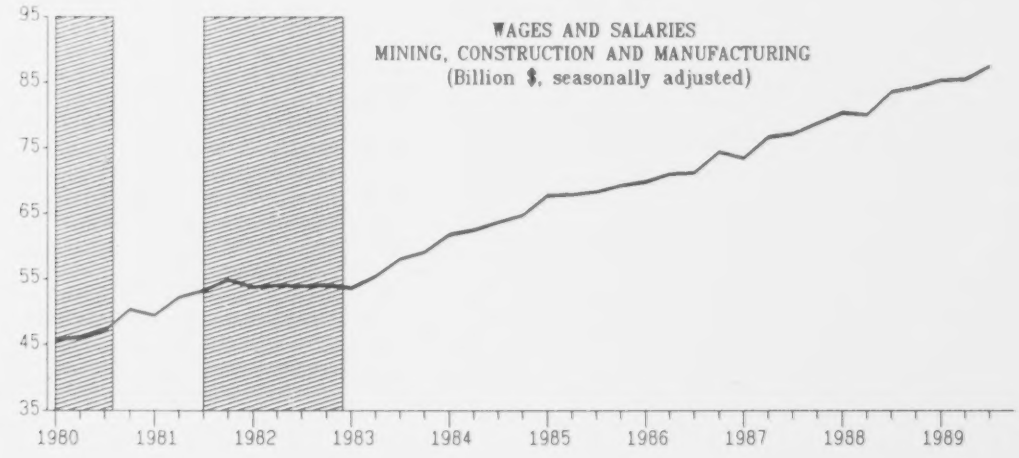


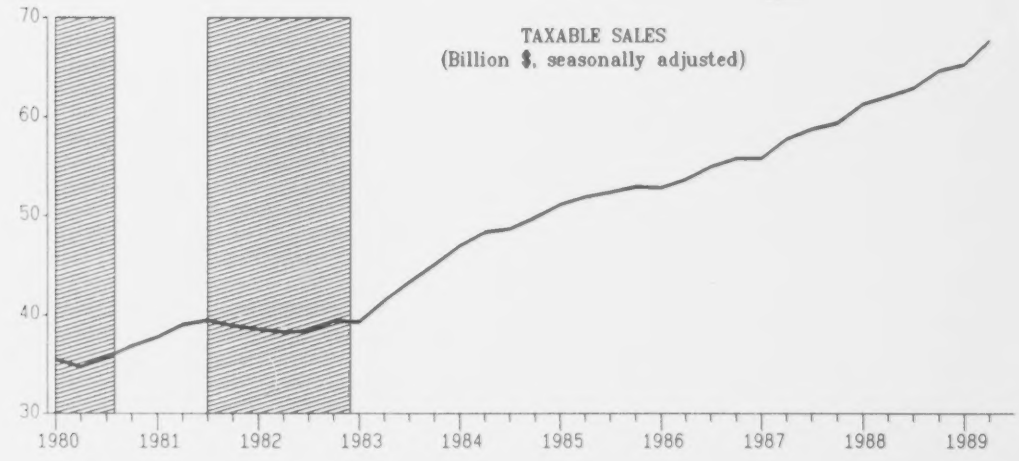

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)

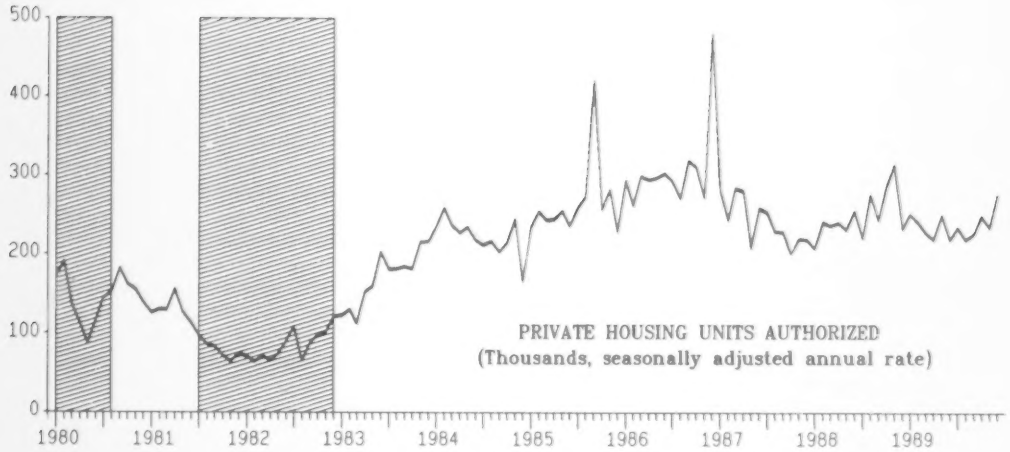


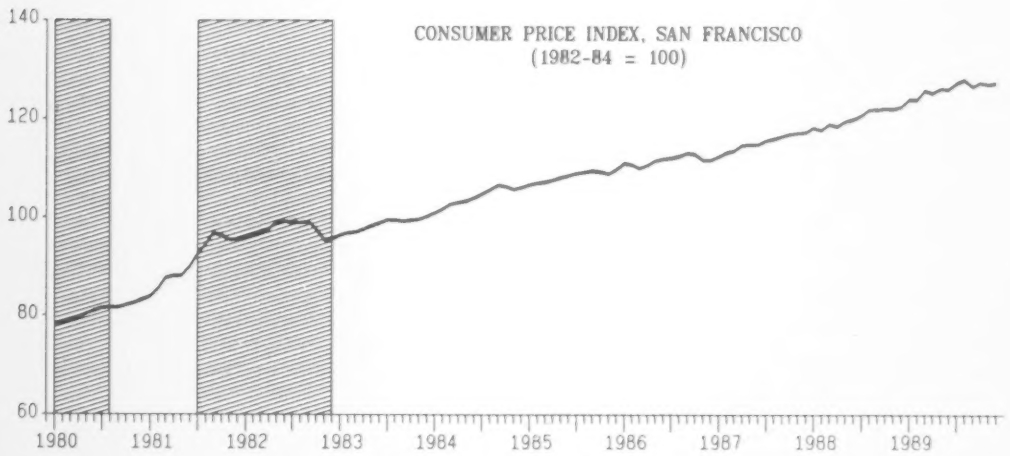

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)

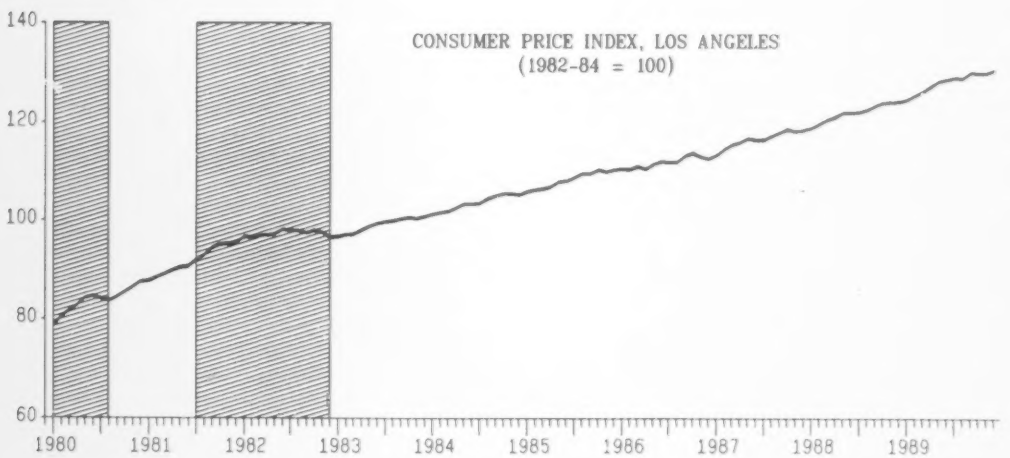

PERSONAL INCOME
(Billion $, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

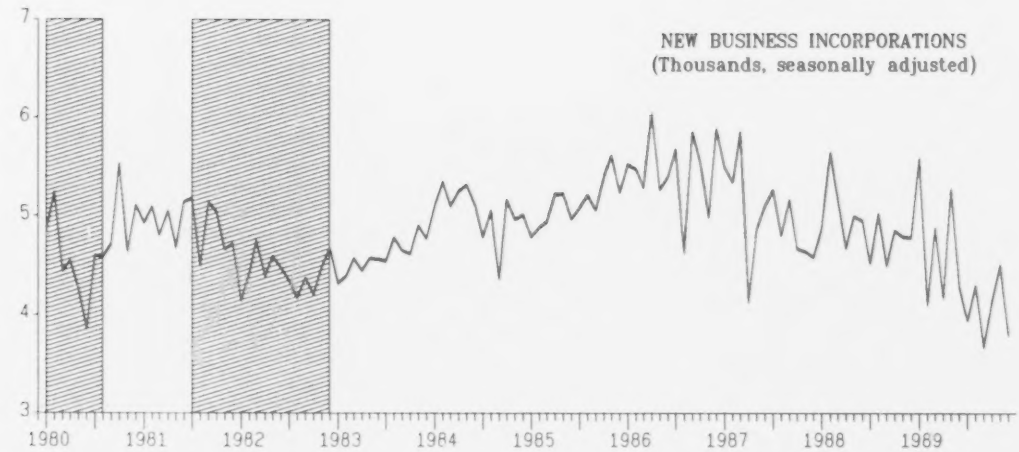

WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

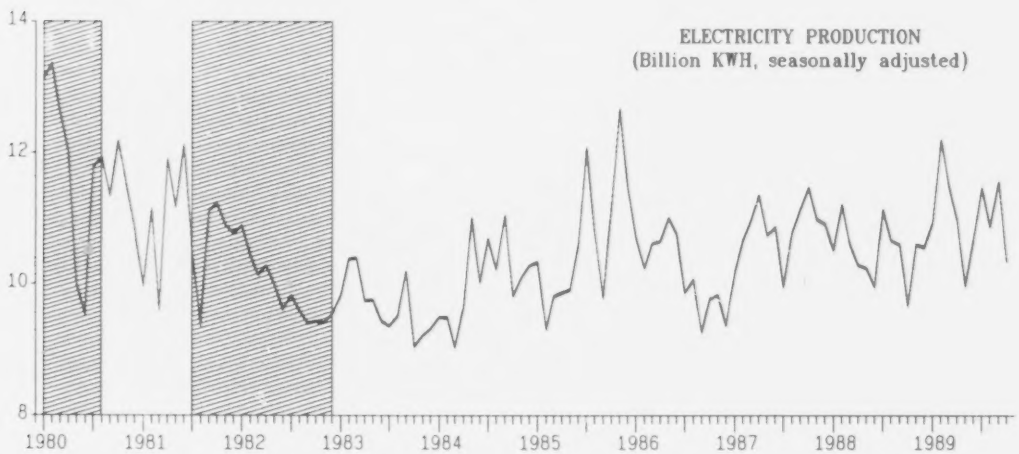

TAXABLE SALES
(Billion $, seasonally adjusted)
70
60
50
40
30
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

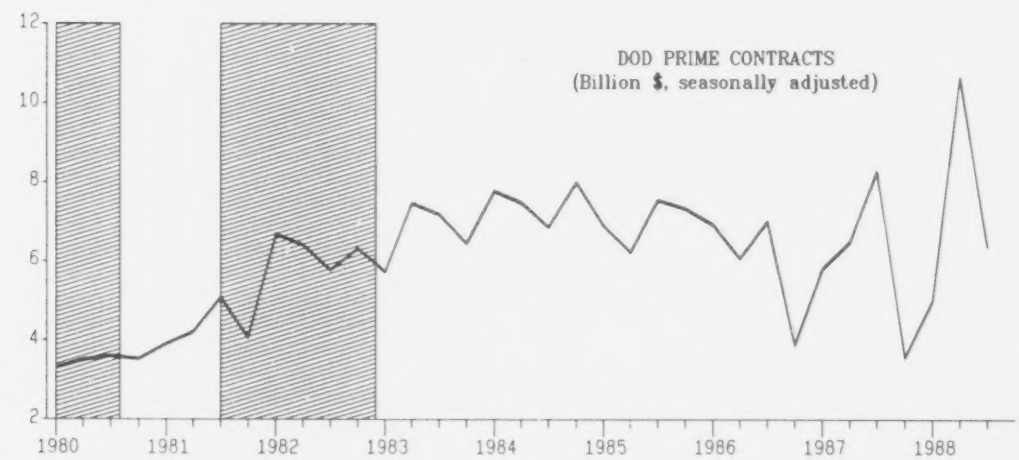

500
400
300
200
100
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)


140
120
100
80
60
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)


140
120
100
80
60
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
14
12
10
8
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


DOD PRIME CONTRACTS
(Billion $, seasonally adjusted)
12
10
8
6
4
2
1980
1981
1982
1983
1984
1985
1986
1987
1988

## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideratio n those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

### 1980

| | |
|---|---|
| February 25 | Prime rate raised to 16-1/2 percent. |
| February 27 | Ceilings on interest rates for government backed mortgages raised to 13 percent. |
| February 29 | Prime rate raised to 16-3/4 percent. |
| March 4 | Prime rate raised to 17-1/4 percent. |
| March 7 | Prime rate raised to 17-3/4 percent. |
| March 13 | Prime rate raised to 18-1/4 percent. |
| March 14 | Announcement of tighter fiscal policies. |
| March 17 | Three percent discount rate surcharge imposed. |
| March 18 | Prime rate raised to 19 percent. |
| April 2 | Prime rate raised to 20 percent. |
| April 3 | FHA mortgages raised to 14 percent. |
| April 20 | Prime rate reduced to 19-1/2 percent. |
| April 28 | FHA mortgages reduced to 13 percent. |
| | Prime rate reduced to 18-1/2 percent. |
| May 5 | Prime rate reduced to 18 percent. |

### 1980--continued

| | |
|---|---|
| May 7 | Prime rate reduced to 17 percent. |
| May 8 | Discount rate surcharge reimposed. |
| May 12 | Prime rate reduced to 16-1/2 percent. |
| May 19 | Prime rate reduced to 16 percent. |
| May 28 | Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent. |
| June 25 | Carpenters strike in Northern California ended. |
| July 3 | ICC begins trucking industry deregulation. |
| July 21-Oct. 23 | Motion picture and television industry strike. |
| July 22 | Prime rate reduced to 11 percent. |
| July 25 | Prime rate reduced to 10-3/4 percent. |
| July 28 | Discount rate reduced to 10 percent. |
| August 5 | Prime rate raised to 11 percent. |
| August 27 | Prime rate raised to 11-1/2 percent. |

## CHRONOLOGY--continued

1980--continued

| | |
|---|---|
| September 5 | FHA mortgage interest rate raised from 11-1/2 to 12 percent. |
| September 12 | California morgage rate raised from 13-1/2 percent to 13-3/4 percent. |
| September 25-Nov. 14 | Pacific Southwest Airlines (PSA) pilots strike begins. |
| September 26 | Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent. |
| October 2 | Prime raised from 13 to 13-1/2 percent. |
| October 3 | Prime raised to 14 percent. |
| October 15 | AFTA workers return to work. |
| October 30 | Prime raised from 14 to 14-1/2 percent. |
| November 7 | Prime raised from 14-1/2 to 15-1/2 percent. |
| November 17 | Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed. |
| November 21 | Prime raised to 17 percent. |
| November 28 | Prime raised to 17-3/4 percent. |
| December 3 | Prime raised from 17-3/4 to 18-1/2 percent. |
| December 5 | Discount rate raised from 12 to 13 percent. Prime raised to 19 percent. |
| December 11 | Prime raised to 20 percent. |
| December 17 | Prime raised from 20 to 21 percent. |
| December 23 | Prime lowered from 21 to 20-1/2 percent. |

1981

| | |
|---|---|
| January 1 | Minimum wage raised from $3.10 to $3.35. |
| January 6 | Prime lowered to 20 percent. |
| January 20 | American hostages released from Iran. |
| January 20 | Ronald Reagan inaugurated as 40th President of the U.S. |
| January 28 | Deregulation of oil and gas industry announced, effectiveimmediately. |
| January 29 | Prime rate lowered to 19-1/2 percent from 20 percent. |
| February 16 | General Motors and Ford rebate plans announced. |
| February 23 | Prime rate lowered to 18 percent. |
| March 2 | Prime rate lowered to 18-1/2 percent. |
| March 10 | Prime rate lowered to 18 percent. |
| March 16 | Prime rate lowered to 17-1/2 percent. |
| March 18 | Prime rate lowered to 17 percent. |
| March 26-June 8 | United mine workers strike. |
| April 13 | Prime rate raised to 17-1/2 percent. |
| April 29 | Prime rate raised to 18 percent. |
| May 4 | Prime rate raised to 19 percent. |
| May 5 | Discount rate raised from 13 percent to 14 percent. |
| May 8 | FHA-VA rate up to 15-1/2 percent from 14-1/2 percent. |

## CHRONOLOGY--Continued

1981--Continued

| | |
|---|---|
| May 11 | Prime rate raised to 19-1/2 percent. |
| May 22 | Prime rate raised to 20 percent. |
| May 27 | OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level. |
| June 5 | Dollar reaches highest level in international trading since December 1971. |
| July 8 | Prime rate raised to 20-1/2 percent. |
| August 3 Jan. 17, 1986 | Professional Air Traffic Controller's Organization strike. |
| August 14 | President Reagan signs both the tax- and budget-cut bills into law. |
| August 18 | FHA-VA rate up to 16-1/2 percent from 15-1/2 percent. |
| September 1 | Prime rate lowered to 20 percent. |
| September 21 | Prime rate lowered to 19-1/2 percent. |
| September 22 | Fed surcharge cut to 3 percent from 4 percent. |
| October | Introduction of All Savers Certificates to stimulate savings. |
| October 6 | Prime rate lowered to 19 percent. |
| | Egyptian President Sadat assassinated. |
| October 13 | Prime rate lowered to 18 percent. |
| October 30 | OPEC price set at $34.00/barrel--the Saudi benchmark. |

1981--continued

| | |
|---|---|
| November 1 | Passbook interest rate raised 1/2 percent to 5-3/4 percent. |
| November 2 | Fed discount rate cut from 14 percent to 13 percent. |
| | Prime rate lowered to 17-1/2 percent. |
| November 10 | Prime rate lowered to 17 percent. |
| November 13 | Prime rate lowered to 16-1/2 percent. |
| | FHA mortgage rate lowered to 15-1/2 percent. |
| November 16 | Prime rate lowered to 16 percent. |
| November 17 | Fed eliminates 2 percent surcharge. Discount rate unaffected. |
| December 1 | Prime rate lowered to 15-1/2 percent. |
| December 4 | Fed discount rate lowered from 13 percent to 12 percent. |
| December 12 | Martial law imposed in Poland. |

1982

| | |
|---|---|
| January 22 | Federal funds rate raised to 13-1/2 percent. |
| January 25 | FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent. |
| February 2 | Prime rate raised to 16-1/2 percent by Citibank and Crocker. |
| February 18 | Prime rate increased to 17 percent. |
| February 24 | Prime rate cut to 16-1/2 percent. |

## CHRONOLOGY--continued

1982--continued

| | |
|---|---|
| March 1 | Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises. |
| March 8 | Prime rate lowered to 16 percent. |
| March 16 | Prime rate back up to 16-1/2 percent. |
| April 1 | OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels. |
| April 5 | Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975. |
| April 12 | General Motor and United Auto Workers labor agreement approved. |
| April 26 | The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century. |
| May 7 | U.S. unemployment rate reaches 9.4 percent for a post-WW II record. |
| May 13 | Braniff Air Lines ceases operation. |
| June 25 | Secretary of State Alexander Haig resigns. |
| June 28 | U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts. |
| July 20 | Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent. |

1982--Continued

| | |
|---|---|
| July 27 | Prime rate lowered to 15-1/2 percent. |
| August 2 | Discount rate lowered to 11 percent. Prime rate lowered to 15 percent. |
| August 9 | Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941. |
| August 16 | Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent. |
| August 18 | Dow Jones Industrial Average rose 38.81 points--an all-time record. |
| August 19 | The stock market trading soared to a record 132,690,000 shares. |
| August 27 | Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent. |
| November 23 | Prime rate lowered from 12 percent to 11-1/2 percent. |
| December. 13 | Discount rate cut to 8-1/2 percent. |
| December 14 | Introduction of money market deposit accounts by banks and S&Ls. |

1983

| | |
|---|---|
| January 5 | Super NOW accounts introducted. |
| January 11 | Prime rate lowered to 11 percent. |
| January 31 | Independent truckers strike begins. |
| February 10 | Independent truckers strike end. |

## CHRONOLOGY--Continued

1983--Continued

| | |
|---|---|
| February 15 | Toyota/GM agreement to build a small car in late 1984. |
| February 25 | Prime rate lowered to 10-1/2 percent. |
| March 14 | OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels. |
| May 2 | An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California. |
| June 8 | The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent. |
| June 18 | Paul Volcker reappointed as Federal Reserve Board Chairman. |
| June 24 | The Federal Budget deficit totalled a record $29.29 billion in May. |
| July 7 | The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent. |
| July 13 | Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due. |
| July 25 | The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history. |
| August 1 | California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, |

1983--Continued

| | |
|---|---|
| | maturing next April and June, were oversubscribed. |
| August 2 | The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent. |
| August 7-August 28 | The Communications Workers of America and two other unions strike AT&T. |
| August 8 | Prime rate raised from 10-1/2 percent to 11 percent by most major banks. |
| August 23 | The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent. |
| September 1 | Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan. |
| November 1 | Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent. |
| November 3-December 21 | Strike against Greyhound Lines Inc. |
| December 1 | FHA mortgage interest rates begin to float. VA rates are still pegged. |

1984

| | |
|---|---|
| January 3 | Breakup of AT&T becomes effective. |
| February 2 | Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions. |
| March 19 | Prime rate raised from 11 percent to 11-1/2 percent. |
| March 20 | Maximum rate on VA loans raised from 12-1/2 to 13 percent. |

## CHRONOLOGY--Continued

1984--Continued

| | |
|---|---|
| April 4 | Prime rate raised from 11-1/2 percent to 12 percent. |
| April 9 | Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years. |
| May 5 | Prime rate raised from 12 percent to 12-1/2 percent. |
| June 26 | Prime rate raised from 12-1/2 percent to 13 percent. |
| September 3 - December 7 | Hotel and restaurant strike - San Francisco. |
| September 15-October 14 | UAW-General Motors strike. |
| September 28 | Prime rate reduced from 13 percent to 12-3/4 percent. |
| October 16 | Prime rate reduced from 12-3/4 percent to 12-1/2 percent. |
| October 28 | Prime rate reduced from 12-1/2 percent to 12 percent. |
| November 7 | Prime rate reduced from 12 percent to 11-3/4 percent. |
| November 21 | Discount rate reduced from 9 percent to 8-1/2 percent. |
| November 28 | Prime rate reduced from 11-3/4 percent to 11-1/4 percent. |
| December 17 | Prime rate reduced from 11-1/4 percent to 10-3/4 percent. |
| December 24 | Discount rate reduced from 8-1/2 percent to 8 percent. |

1985

| | |
|---|---|
| January 1 | Federal price controls removed from approximately half of the natural gas produced in the United States. |
| January 15 | Prime rate reduced from 10-3/4 percent to 10-1/2 percent. |
| March 9 | Home State Savings Bank Cincinnati, Ohio closed. |
| March 15 | Seventy Ohio thrift institutions closed to prevent run on deposits. |
| March 25 | Maximum rate on VA loans raised from 12-1/2 percent to 13 percent. |
| May 2 | Auto manufacturer's initiate low interest loan programs. |
| May 17-June 14 | United Airlines--Air Pilots Association strike. |
| May 17 | Prime rate reduced from 10-1/2 percent to 10 percent. |
| May 20 | Dow Jones Industrials close above 1,300 for the first time. |
| May 29 | Presidents' tax reform plan unveiled. |
| June 18 | Prime rate reduced to 9 1/2 percent from 10 percent. |
| July 16 | Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979. |
| July 22-October 16 | 8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years. |
| August 15 | GM announces 7.7 percent financing rate program to run through October 2nd. |

## CHRONOLOGY--Continued

### 1985--Continued

| | |
|---|---|
| August 20 | Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos. |
| September 4 | The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio. |
| September 15 | A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect. |
| September 16 | Saudi Arabia announces plans to boost oil production and cut prices. |
| September 22 | G-5 agreement to push the dollar lower. |
| November 7 | Dow Jones Industrials close above 1400 for the first time. |
| December 10 | World oil prices fall by more than a dollar after OPEC decides to abandon price supports. |
| December 12 | President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991. |
| December 23 | President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System. |

### 1986

| | |
|---|---|
| January 1 | Ceiling on Super NOW accounts was removed. |

### 1986--Continued

| | |
|---|---|
| January 17 | United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history. |
| January 28 | Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died. |
| February 26 | Corazon Aquino takes over Phillipines as the new president. |
| March 3 | Dow Jones Industrials close above 1700 for the first time. |
| March 4 | Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years. |
| | Oil prices fall to $12 per barrel. |
| March 7 | The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan. |
| March 10 | Prime rate cut to 9 percent from 9-1/2 percent. |
| March 21 | Dow Jones Industrials close above 1800 for the first time. |
| | Conservative Chirac appointed as Prime Minister of France. |
| March 25 | U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra. |
| April 1 | Interest ceilings on passbook saving accounts ended. |
| | Oil prices fall to under $11 per barrel. |
| April 14 | U.S. air strike against Libya. |

## CHRONOLOGY--Continued

1986--Continued

| | |
|---|---|
| April 21 | U.S. Dollar reaches a post-WWII low against the Yen at 168.60. |
| | Discount rate cut from 7 percent to 6-1/2 percent. |
| | Prime rate cut to 8-1/2 percent from 9 percent. |
| April 23 | Paul Volcker warns of public and private debt buildup as a threat to the economy. |
| April 25 | Soviet nuclear plant at Chernobyl destroyed by fire. |
| May 12 | U.S. dollar falls to 159.95 Yen. |
| May 22 | U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada. |
| June 1-June 26 | CWA strike at AT&T. |
| July 7 | The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional. |
| July 7 | The Dow Jones Industrial average was down a record 61.87 points. |
| July 10 | The Fed lowered the discount rate from 6-1/2% to 6%. |
| July 11 | Prime rate cut to 8 percent from 8-1/2 percent. |
| July 20 | Prime rate cut to 7-1/2 percent. |
| August 1 | United steelworkers strike for the first time since 1959. 44,000 workers were involved. |

1986--Continued

| | |
|---|---|
| August 20 | The discount rate was reduced from 6 percent to 5-1/2 percent. |
| August 27 | The prime rate was cut to 7-1/2 percent from 8 percent. |
| August 28 | General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent. |
| September 4 | Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17. |
| September 5 | California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income. |
| September 11 | The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89. |
| October 22 | President Reagan signs the tax reform bill into law, the first full scale remodification since 1954. |
| October 27-December 13 | Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike |
| November 1 | The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only. |

## CHRONOLOGY--Continued

### 1987

| | |
|---|---|
| January 1 | California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction. |
| | Fannie Mae raises mortgage ceiling to $153,100 from $133,250. |
| | OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel. |
| January 8 | The Dow Jones Industrial average topped the 2000 mark. |
| January 19 | The Dow Jones Industrial average topped the 2100 mark. |
| January 19 | The California Trade Office opened in Tokyo. |
| | The dollar fell to a record low against the yen--150.49 yen to the dollar. |
| January 22 | The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67. |
| February 5 | Brazil suspends interest payments on commercial debt. |
| | The Dow Jones Industrial average topped the 2200 mark. |
| March 5 | Ecuador is rocked by severe earthquake. |
| March 16 | Fannie Mae announces it will not enter home equity loan market. |
| March 20 | The Dow Jones Industrial average topped the 2300 mark. |
| March 24 | U.S. dollar falls to post WW II low--148.5 yen to the dollar. |
| April 1 | The prime rate increased from 7-1/2 to 7-3/4 percent. |
| April 6 | The Dow Jones Industrial average topped the 2400 mark. |
| April 13 | The California Trade Office opened in London. |
| May 1 | The prime rate was increased from 7-3/4 percent to 8 percent. |
| May 5 | Immigration amnesty program in effect. |
| May 7 | The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury. |
| May 15 | The prime rate was increased to 8-1/4 percent from 8 percent. |
| May 17 | The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf. |
| June 1 | Penalties in place for employers of illegal aliens. |
| July 17 | Dow Jones Industrials close over 2,500 for the first time. |
| July 22 | Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf. |
| August 10 | Dow Jones index closes over 2,600 for 1st time. |
| August 11 | Alan Greenspan sworn in as Chairman of the Federal Reserve Board. |
| August 17 | Dow Jones index closes over 2,700 for 1st time. |

## CHRONOLOGY--Continued

1987--Continued

| | |
|---|---|
| September 4 | Discount rate raised from 5-1/2 percent to 6 percent. |
| | Prime rate raised from 8-1/4 percent to 8-3/4 percent. |
| October 1 | Severe earthquake hits Southern California. Epicenter near Whittier. |
| October 7 | Prime rate raised from 8-3/4 percent to 9-3/4 percent. |
| October 14 | Dow Jones Industrials fall a record 95 points. |
| October 15 | Dow Jones Industrials down 58 points. |
| October 16 | Dow Jones Industrials down a record 108 points. |
| October 19 | Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points. |
| October 21 | Dow up a record 187 points. |
| October 22 | Prime rate cut to 9 percent from 9-1/4 percent. |
| November 2 | Dollar falls to 40 year low of 136.95 Yen. |
| November 5 | Prime rate cut to 8-3/4 percent from 9 percent. |
| November 23-November 24 | Severe earthquakes hit Imperial County. |
| November 30 | Dollar hits postwar lows against Yen and Mark. |

1988

| | |
|---|---|
| February 3 | Prime rate cut to 8.5 percent from 8.75 percent. |
| March 7-August 7 | Television writers strike. |

1988--Continued

| | |
|---|---|
| May 12 | Prime rate raised from 8.5 percent to 9 percent. |
| July 1 | California's minimum wage raised from $3.35 to $4.25. |
| July 3 | U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf. |
| July 14 | Prime rate raised from 9 percent to 9-1/2 percent. |
| August 9 | Discount rate raised from 6 percent to 6-1/2 percent. |
| August 11 | Prime rate raised from 9-1/2 percent to 10 percent. |
| November 28 | Prime rate raised from 10 percent to 10-1/2 percent. |
| December 8 | Severe earthquake hits Soviet Armenia; death toll more than 100,000. |
| December 21 | Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash. |

1989

| | |
|---|---|
| February 10 | Prime rate raised from 10-1/2 percent to 11 percent. |
| February 24 | Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent. |
| March 4 | International Association of Machinists strike against Eastern Airlines. |
| March 24 | Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil. |
| June 5 | Prime rate cut from 11-1/2 percent to 11 percent. |

## CHRONOLOGY--Continued

1989--Continued

| | |
|---|---|
| July 10 | Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent. |
| July 19 | DC-10 crashes at Sioux City; hydraulic systems failure cited as cause. |
| July 31 | Most major banks cut prime rate to 10-1/2 percent. |
| September 21 | Hurricane Hugo hits the Carolinas causing extensive property damage. |
| October 4-November 20 | International Association of Machinists strike Boeing. |
| October 17 | Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area. |
| November 30 | October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989. |

1990

| | |
|---|---|
| January 8 | Prime rate cut from 10-1/2 percent to 10 percent. |
| January 15 | Campeau Corp. files for Chapter 11 bankruptcy-law protection. |

## REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

| Initial Trough | | Peak | | Terminal Trough | | Expansion (months) | Contraction (months) | Total (months) |
|---|---|---|---|---|---|---|---|---|
| Dec. | 1854 | June | 1857 | Dec | 1858 | 30 | 18 | 48 |
| Dec. | 1858 | Oct. | 1860 | June | 1861 | 22 | 8 | 30 |
| June | 1861 | April | 1865 | Dec. | 1867 | 46 | 32 | 78 |
| Dec. | 1867 | June | 1869 | Dec. | 1870 | 18 | 18 | 36 |
| Dec. | 1870 | Oct. | 1873 | March | 1879 | 34 | 65 | 99 |
| March | 1879 | March | 1882 | May | 1885 | 36 | 38 | 74 |
| May | 1885 | March | 1887 | April | 1888 | 22 | 13 | 35 |
| April | 1888 | July | 1890 | May | 1891 | 27 | 10 | 37 |
| May | 1891 | Jan. | 1893 | June | 1894 | 20 | 17 | 37 |
| June | 1894 | Dec. | 1895 | June | 1897 | 18 | 18 | 36 |
| June | 1897 | June | 1899 | Dec. | 1900 | 24 | 18 | 42 |
| Dec. | 1900 | Sept. | 1902 | Aug. | 1904 | 21 | 23 | 44 |
| Aug. | 1904 | May | 1907 | June | 1908 | 33 | 13 | 46 |
| June | 1908 | Jan. | 1910 | Jan. | 1912 | 19 | 24 | 43 |
| Jan. | 1912 | Jan. | 1913 | Dec. | 1914 | 12 | 23 | 35 |
| Dec. | 1914 | Aug. | 1918 | March | 1919 | 44 | 7 | 51 |
| March | 1919 | Jan. | 1920 | July | 1921 | 10 | 18 | 28 |
| July | 1921 | May | 1923 | July | 1924 | 22 | 14 | 36 |
| July | 1924 | Oct. | 1926 | Nov. | 1927 | 27 | 13 | 40 |
| Nov. | 1927 | Aug. | 1929 | March | 1933 | 21 | 43 | 64 |
| March | 1933 | May | 1937 | June | 1938 | 50 | 13 | 63 |
| June | 1938 | Feb. | 1945 | Oct. | 1945 | 80 | 8 | 88 |
| Oct. | 1945 | Nov. | 1948 | Oct. | 1949 | 37 | 11 | 48 |
| Oct. | 1949 | July | 1953 | May | 1954 | 45 | 10 | 55 |
| May | 1954 | Aug. | 1957 | April | 1958 | 39 | 8 | 47 |
| April | 1958 | April | 1960 | Feb. | 1961 | 24 | 10 | 34 |
| Feb. | 1961 | Dec. | 1969 | Nov. | 1970 | 106 | 11 | 117 |
| Nov. | 1970 | Nov. | 1973 | March | 1975 | 36 | 16 | 52 |
| March | 1975 | Jan. | 1980 | July | 1980 | 58 | 6 | 64 |
| July | 1980 | July | 1981 | Nov. | 1982 | 12 | 16 | 28 |

## SOURCES OF STATISTICAL SERIES

| | |
|---|---|
| Employment Development Department<br>Employment Data and Research | Civilian employment<br>Unemployment<br>Unemployment rate<br>Hours and earnings<br>Initial claims for unemployment insurance<br>Insured unemployment, average weeks claimed |
| Department of Industrial Relations<br>Division of Labor Statistics and Research | California consumer price index |
| Department of Finance | Personal income<br>Wages and salaries<br>Nonagricultural employment<br>Manufacturing employment |
| Department of Motor Vehicles | New auto registrations |
| State Board of Equalization | Taxable sales |
| U.S. Department of Commerce | Retail sales<br>Housing units authorized<br>Construction valuation |
| U.S. Bureau of Labor Statistics | Consumer price indices |
| U.S. Department of Energy | Electricity production |
| U.S. Department of Defense | Prime defense contracts |
| Conservation Committee of California Oil Producers | Petroleum production |
| U.S. Bureau of Mines | Cement production |
| California Secretary of State | New business incorporations |
| Coldwell Banker | Vacancy rates |
| California Association of Realtors | Existing family home data |
| Construction Industry Research Board | Housing units authorized<br>Construction valuation |

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# CALIFORNIA ECONOMIC INDICATORS

## March/April 1990

DEPARTMENT OF FINANCE

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## INTRODUCTION

*California Economic Indicators* is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

| Beginning Subscription Date | Prorated Amount Due |
|---|---|
| January | $8.00 |
| March | 6.75 |
| May | 5.40 |
| July | 4.05 |
| September | 2.70 |
| November | 1.35 |

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## REVIEW OF ECONOMIC DEVELOPMENTS

Economic activity in California continued to expand at a moderate pace in the first quarter of 1990. Moreover, revised data suggest that growth in 1989 was somewhat stronger than originally indicated.

During the first quarter, nonagricultural payroll employment increased by 120,000 jobs, a near 4 percent annual rate of growth. March payrolls, at 12,768,000, were up 3.4 percent from the year earlier level. The unemployment rate averaged 5.1 percent during the quarter, equaling 1989's 20 year low.

Manufacturing employment increased 8,000 during the quarter, and was up 2,000 on the year. Total factory employment in California has remained relatively stable, while nationally manufacturing jobs have declined by more than 250,000 in the past year. California's manufacturing performance is all the more remarkable given the loss of 15,000 in the aerospace and electronics industries since early 1989.

Construction employment continued to post strong gains, up 6.2 percent over the year. Jobs in the services industries grew 5 percent on a March to March comparison. Amusements, business services and the professions were among the faster growing industries within the group.

The annual official benchmark revisions to the employment data have boosted growth in 1989. Payroll jobs increased 3.9 percent, or 475,000,

### A NOTE ON CONSTRUCTION DATA

Beginning with this issue, the California Economic Indicators will be using the Construction Industry Research Board as its primary source for California construction data. The previous source (from 1987 through 1989) had been the U.S. Department of Commerce, Bureau of the Census.

The major difference between the two sources is in the area of data collection. The Census Bureau data include imputed, or estimated, values for permit issuing places that fail to report or are late in reporting while the Construction Industry Research Board attempts to obtain actual data directly from the missing jurisdictions. In essence, this is the same method that was practiced by Security Pacific National Bank's data service before it was discontinued in 1987. The classifications of both residential and non-residential data used by the Construction Industry Research Board are comparable to those which were used by Security Pacific. The data thus meet our criterion of consistency. In addition, the switch to the Construction Industry Research Board will improve the timeliness in reporting new and revised information.

The Department of Finance will continue to carry the widely accepted Security Pacific construction series through 1986 (the last full year of data). From 1987, the series have been updated with data from the Construction Industry Research Board.

Nonresidential valuation data, as reported by the Census Bureau, are particularly affected by imputations. At times, due to non or late reporting, monthly imputations have been over 50 percent in some major areas. Revisions to these data are reported on a year-to-date basis only (i.e. revisions are not allocated to the months to which they apply.) The Construction Industry Research Board reduces the extent of the imputations and incorporates revisions on a monthly basis.

Questions regarding this matter may be directed to the Department of Finance, Economic Research Unit.

well above the 3.1 percent gain initially indicated and actually somewhat stronger than the 3.6 percent growth in 1988. Construction and services were the major contributors to last year's increase.

Preliminary personal income estimates place last year's total at $571.8 billion, an increase of 7.7 percent over the 1988 level. As explained in the January issue of *Indicators*, the Loma Prieta earthquake reduced income by about $2 billion or 0.3 percent last year. Virtually all the reductions are in rental and proprietors' income, representing uninsured damage to privately owned structures. Rental income was a negative $2.1 billion in the fourth quarter, and was down 64 percent for the entire year.

In addition, the timing of professional corporation and small business bonus payments distorted income comparisons for 1989. Following substantial bonus payments in the final months of 1988, many principals in these firms drew little or no wage income during the first half of 1989, resulting in a drop in first quarter income and dampening the income gain for the full year. This pattern appears to be repeating in late 1989-early 1990, as seen in the near-$20 billion surge in fourth quarter wage and salary income. Also, extremely large bonuses paid during 1986-88 in the securities industry were not present in 1989.

Adjusting for these special factors and distortions, California's underlying income growth was about 8.5 to 8.7 percent last year. U.S. income growth of 8.9 percent included a 0.6 percent drought recovery effect, which was not included in the California data. The national data do not yet reflect the new bonus payment pattern, which is related to 1986 Federal tax law changes which became fully effective last year. Excluding drought effects, underlying U.S. income growth of 8.3 percent was slightly less than the adjusted California gain.

Retail sales data, from the U.S. Department of Commerce, are more consistent with stronger underlying income growth. Sales in California increased 9 percent last year, almost double the nation's 5 percent advance. New car sales in California virtually equalled the record 1988 pace, while unit sales nationally declined almost 7 percent.

Taxable retail sales for the fourth quarter and the full year, normally available in April, have been delayed by problems associated with the earthquake and the emergency 1/4 cent sales tax, which was effective December 1. Preliminary indications are that taxable sales, which exclude food for home consumption and prescription medicines, increased slightly less than 8 percent in 1989.

Homebuilding also maintained a vigorous pace last year, with nearly 238,000 units authorized for construction. It was the sixth consecutive year that permit volume exceeded the 200,000 unit mark. Nationally, homebuilding slumped to the lowest level since the 1982 recession.

Housing resale volume picked up somewhat during January and February, but remained well below the strong early 1989 level, according to the California Association of *Realtors*. The median sales price increased to $197,200 in February from $195,000 in January, but was up only 3 percent over the year earlier level. Recent single digit price increases are in sharp contrast to the 20 percent plus gains reported during the first half of 1989.

Prices in all regions of the state continue to rise, but at generally slower rates. In addition, the volume of activity has shifted into lower priced areas such as Riverside, San Bernardino and Sacramento counties, where prices continue to rise rapidly. In January, for example, home prices in Sacramento jumped 29 percent from the year ago level, but at $124,300 were still less than half the Bay Area's $262,800 median. Unit sales in Sacramento were up 25 percent over the year, while volumes in the Bay Area, Los Angeles and Orange counties were down by 20 percent or more.

Year-end office vacancy rates in most areas of California are below the national average, according to Coldwell Banker Commercial Real Estate. The earthquake is increasing the absorption of vacant space in San Francisco and the East Bay, as firms move from damaged buildings into available space in Oakland and the South of Market area of San Francisco. This trend will probably continue in the Bay Area, but vacancy rates are expected to rise in Los Angeles following the completion of several major projects later this year.

## CALIFORNIA PERSONAL INCOME: 1989
### (In Millions of Dollars)

| | 1989 | | | | Annual Averages | | |
|---|---|---|---|---|---|---|---|
| | I | II | III | IV | 1989 | 1988 | Change |
| EARNINGS (Place of Work) | 408,804 | 414,916 | 430,272 | 449,276 | 425,817 | 397,732 | 7.1 |
| Farm | 6,498 | 6,459 | 6,606 | 6,678 | 6,560 | 6,288 | 4.3 |
| Mining | 1,932 | 2,046 | 1,962 | 1,973 | 1,978 | 2,042 | -3.1 |
| Construction | 28,105 | 28,560 | 28,966 | 30,269 | 28,975 | 26,820 | 8.0 |
| Manufacturing | 75,858 | 75,615 | 76,981 | 76,835 | 76,322 | 72,954 | 4.6 |
| TCU | 24,477 | 23,733 | 24,875 | 24,635 | 24,430 | 23,042 | 6.0 |
| Trade | 65,723 | 67,068 | 68,427 | 70,532 | 67,938 | 63,886 | 6.3 |
| Finance-Ins-Real estate | 28,937 | 29,568 | 32,359 | 35,116 | 31,495 | 30,606 | 2.9 |
| Services | 108,556 | 113,771 | 118,902 | 132,313 | 118,386 | 108,743 | 8.9 |
| Government | 64,136 | 62,995 | 65,338 | 64,936 | 64,351 | 59,674 | 7.8 |
| Federal Civilian | 11,426 | 10,514 | 11,528 | 11,499 | 11,242 | 10,638 | 5.7 |
| Military | 7,240 | 7,298 | 7,350 | 7,424 | 7,328 | 7,008 | 4.6 |
| State and Local | 45,470 | 45,183 | 46,460 | 46,013 | 45,782 | 42,028 | 8.9 |
| Other Industries | 4,582 | 5,101 | 5,856 | 5,989 | 5,382 | 3,676 | 46.4 |
| WAGES AND SALARIES (Pl of Work) | 328,111 | 332,309 | 344,559 | 363,400 | 342,095 | 319,609 | 7.0 |
| Farm | 1,794 | 1,800 | 1,829 | 1,893 | 1,829 | 1,754 | 4.2 |
| Mining | 1,528 | 1,617 | 1,551 | 1,564 | 1,565 | 1,605 | -2.5 |
| Construction | 18,405 | 18,679 | 18,945 | 19,923 | 18,988 | 17,543 | 8.2 |
| Manufacturing | 65,452 | 65,241 | 66,420 | 66,316 | 65,857 | 62,970 | 4.6 |
| TCU | 19,365 | 18,776 | 19,679 | 19,526 | 19,337 | 18,236 | 6.0 |
| Trade | 55,603 | 56,742 | 57,891 | 59,798 | 57,509 | 54,065 | 6.4 |
| Finance-Ins-Real estate | 25,316 | 25,869 | 28,310 | 30,863 | 27,590 | 26,782 | 3.0 |
| Services | 76,718 | 80,347 | 83,971 | 97,809 | 84,711 | 77,558 | 9.2 |
| Government | 60,715 | 59,658 | 61,854 | 61,480 | 60,927 | 56,510 | 7.8 |
| Federal Civilian | 10,579 | 9,735 | 10,674 | 10,647 | 10,409 | 9,851 | 5.7 |
| Military | 7,240 | 7,298 | 7,350 | 7,424 | 7,328 | 7,008 | 4.6 |
| State and Local | 42,896 | 42,625 | 43,830 | 43,409 | 43,190 | 39,651 | 8.9 |
| Other Industries | 3,215 | 3,580 | 4,109 | 4,228 | 3,783 | 2,586 | 46.3 |
| OTHER LABOR INCOME (Pl of Work) | 31,631 | 31,878 | 33,000 | 33,891 | 32,600 | 30,593 | 6.6 |
| PROPRIETORS' INCOME (Pl of Work) | 49,062 | 50,729 | 52,713 | 51,985 | 51,122 | 47,530 | 7.6 |
| Farm | 4,481 | 4,436 | 4,550 | 4,551 | 4,505 | 4,317 | 4.3 |
| Nonfarm | 44,581 | 46,293 | 48,163 | 47,434 | 46,618 | 43,213 | 7.9 |
| PROPERTY INCOME (Place of Res.) | 95,616 | 98,633 | 100,352 | 97,652 | 98,063 | 88,310 | 11.0 |
| Dividends | 13,277 | 13,524 | 13,746 | 14,042 | 13,647 | 12,391 | 10.1 |
| Interest | 79,313 | 82,612 | 84,206 | 85,681 | 82,953 | 71,915 | 15.3 |
| Rent | 3,026 | 2,497 | 2,400 | (2,071) | 1,463 | 4,005 | -63.5 |
| TRANSFER PAYMENTS (Place of Res) | 73,541 | 74,685 | 75,774 | 77,140 | 75,285 | 69,768 | 7.9 |
| LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE (Place of Res.) | 26,970 | 27,082 | 27,809 | 28,709 | 27,643 | 25,117 | 10.1 |
| PLUS: RESIDENCE ADJUSTMENT | 285 | 287 | 288 | 290 | 288 | 275 | 4.5 |
| TOTAL PERSONAL INCOME (Place of Residence) | 551,276 | 561,439 | 578,877 | 595,649 | 571,810 | 530,968 | 7.7 |

## EMPLOYMENT
(Seasonally Adjusted)

| | 1990 | | | 1989 | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Mar | Feb | Jan | Dec | Mar | % Change |
| Civilian employment (000) | 13,847 | 13,784 | 13,734 | 13,854 | 13,665 | 1.3 |
| Unemployment (000) | 766 | 712 | 757 | 773 | 664 | 15.4 |
| Unemployment rate | 5.2 | 4.9 | 5.2 | 5.3 | 4.6 | -- |
| Nonagricultural wage and salary employment a/ (000) | 12,888.6 | 12,872.0 | 12,845.9 | 12,767.6 | 12,470.8 | 3.4 |
| Mining | 40.0 | 39.6 | 39.8 | 39.5 | 40.9 | -2.2 |
| Construction | 679.1 | 679.9 | 677.3 | 661.2 | 639.6 | 6.2 |
| Manufacturing | 2,174.6 | 2,174.2 | 2,176.9 | 2,165.0 | 2,172.7 | 0.1 |
| High technology b/ | n.a. | 709.7 | 710.4 | 713.6 | 724.4 | -- |
| Transportation and public utilities | 618.5 | 619.5 | 619.0 | 615.2 | 600.7 | 3.0 |
| Trade | 3,062.4 | 3,059.9 | 3,048.4 | 3,016.0 | 2,959.8 | 3.5 |
| Finance, insurance, and real estate | 857.8 | 856.4 | 853.3 | 850.5 | 830.8 | 3.2 |
| Services | 3,405.4 | 3,396.4 | 3,382.4 | 3,380.4 | 3,242.1 | 5.0 |
| Government | 2,050.7 | 2,046.1 | 2,048.8 | 2,039.9 | 1,984.4 | 3.3 |
| Federal | 356.2 | 356.5 | 357.3 | 353.8 | 361.2 | -1.4 |
| State and local | 1,694.5 | 1,689.7 | 1,691.5 | 1,686.1 | 1,623.2 | 4.4 |

## HOURS AND EARNINGS IN MANUFACTURING

| | 1990 | | 1989 | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Feb | Jan | Dec | Nov | Feb | % Change |
| Average weekly hours c/ | 40.3 | 40.2 | 41.2 | 41.0 | 40.7 | -1.0 |
| Average weekly earnings c/ | $465.87 | $453.05 | $466.38 | $461.25 | $447.29 | 4.2 |
| Average hourly earnings c/ | $11.56 | $11.27 | $11.32 | $11.25 | $10.99 | 5.2 |

## PRODUCTION

| | 1990 | 1989 | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Jan | Dec | Nov | Oct | Jan | % Change |
| Petroleum (000 barrels daily) c/ | n.a. | 982 | 981 | 984 | 1,002 | -- |
| Portland cement (000 short tons) c/ | 839.6 | 831.9 | 903.5 | 943.6 | 775.6 | 8.3 |

## TRADE
(Seasonally Adjusted)

| | 1990 | | 1989 | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Feb | Jan | Dec | Nov | Feb | % Change |
| Retail sales ($ millions) | n.a. | n.a. | 18,037 | 18,049 | 17,266 | -- |
| New auto registrations (number) | 123,923 | 128,840 | 106,539 | 124,277 | 128,597 | -3.6 |

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

## CONSUMER PRICE INDEX
(1982-84 =100)

| | 1990 | | 1989 | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Feb | Jan | Dec | Nov | Feb | % Change |
| All Urban Consumers Series | | | | | | |
| California Average | 132.5 | 131.3 | 129.9 | 129.4 | 125.3 | 5.7 |
| San Francisco CMSA | 129.2 | 128.5 | 127.4 | 127.2 | 124.0 | 4.2 |
| Los Angeles CMSA | 133.6 | 132.1 | 130.6 | 130.0 | 125.5 | 6.5 |
| Wage Earners and Clerical Workers Series | | | | | | |
| California Average | 129.1 | 128.0 | 126.7 | 126.2 | 122.3 | 5.6 |
| San Francisco CMSA | 128.2 | 127.6 | 126.6 | 126.4 | 122.9 | 4.3 |
| Los Angeles CMSA | 129.8 | 128.5 | 127.0 | 126.4 | 122.3 | 6.1 |

## CONSTRUCTION

| | 1990 | 1989 | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Jan | Dec | Nov | Oct | Jan | % Change |
| Private residential housing units authorized (000) a/ | 249.3 | 259.8 | 232.3 | 238.3 | 236.5 | 5.4 |
| Single units | 151.5 | 164.0 | 157.9 | 173.3 | 160.1 | -5.4 |
| Multiple units | 97.8 | 95.9 | 74.4 | 65.0 | 76.5 | 27.8 |
| Residential building authorized valuation (millions) b/ | $2,383 | $2,494 | $2,315 | $2,353 | $2,223 | 7.2 |
| Nonresidential building authorized valuation (millions) b/ | $1,159 | $1,087 | $1,062 | $1,313 | $1,136 | 2.0 |
| Nonresidential building authorized valuation (millions) c/ | $886 | $981 | $995 | $1,431 | $869 | 2.0 |
| Commercial | $339 | $425 | $414 | $745 | $363 | -6.6 |
| Industrial | 100 | 156 | 146 | 166 | 108 | -7.4 |
| Other | 100 | 82 | 116 | 147 | 103 | -2.9 |
| Alterations and additions | 347 | 317 | 320 | 372 | 295 | 17.6 |

## VACANCY RATES FOR DECEMBER 1989
(Percent)

| | Office | | | Industrial |
|---|---|---|---|---|
| | Total | Downtown | Suburban | |
| Northern and Central California | | | | 6.9 |
| Oakland-East Bay | 18.5 | 10.3 | 20.7 | |
| Sacramento | 18.8 | 12.8 | 20.7 | |
| San Francisco | 14.5 | 13.6 | 15.7 | |
| San Jose | 14.6 | 20.2 | 13.0 | |
| Southern California | | | | 6.5 |
| Los Angeles | 15.9 | 13.4 | 16.4 | |
| Orange County | 21.9 | -- | 21.9 | |
| San Diego | 21.5 | 16.0 | 23.0 | |
| Ventura County | 18.7 | -- | 18.7 | |
| National Average | 20.0 | 16.7 | 21.4 | 6.4 |

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

## MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

| 1988 | | 1989 | | | | 1990 | |
|---|---|---|---|---|---|---|---|
| Jul | $174,388 | Jan | $184,711 | Jul | $202,650 | Jan | $194,952 |
| Aug | 174,750 | Feb | 191,352 | Aug | 201,138 | Feb | 197,184 |
| Sep | 177,107 | Mar | 195,815 | Sep | 199,606 | | |
| Oct | 178,499 | Apr | 200,784 | Oct | 193,557 | | |
| Nov | 181,328 | May | 201,930 | Nov | 195,400 | | |
| Dec | 177,285 | Jun | 200,445 | Dec | 188,477 | | |

## LEADING INDICATORS a/

| | | Manufacturing | | New |
|---|---|---|---|---|
| | | Overtime Hours | Average Weekly Hours | Business Incorporations |
| 1988 | Jul | 3.8 | 40.7 | 4,590 |
| | Aug | 3.9 | 40.7 | 4,961 |
| | Sep | 3.9 | 40.9 | 4,638 |
| | Oct | 3.7 | 40.7 | 4,856 |
| | Nov | 3.6 | 40.5 | 4,746 |
| | Dec | 3.7 | 40.6 | 4,866 |
| 1989 | Jan | 3.8 | 40.7 | 5,536 |
| | Feb | 4.0 | 40.8 | 4,047 |
| | Mar | 3.8 | 40.9 | 4,627 |
| | Apr | 3.9 | 41.1 | 4,314 |
| | May | 3.8 | 40.6 | 5,266 |
| | Jun | 3.8 | 40.6 | 4,253 |
| | Jul | 3.9 | 40.7 | 4,018 |
| | Aug | 3.9 | 40.8 | 4,245 |
| | Sep | 3.9 | 40.5 | 3,799 |
| | Oct | 3.9 | 40.6 | 4,137 |
| | Nov | 3.8 | 40.7 | 4,463 |
| | Dec | 3.9 | 40.6 | 3,882 |
| 1990 | Jan | 3.9 | 40.5 | 5,064 |
| | Feb | 3.8 | 40.4 | 3,736 |

| | | Unemployment Insurance Initial Claims | Housing Unit Authorizations (Thousands) |
|---|---|---|---|
| 1988 | Jul | 53,354 | 235.3 |
| | Aug | 50,032 | 287.7 |
| | Sep | 51,835 | 264.4 |
| | Oct | 48,583 | 283.7 |
| | Nov | 50,568 | 303.0 |
| | Dec | 50,187 | 235.9 |
| 1989 | Jan | 50,928 | 236.5 |
| | Feb | 51,409 | 241.4 |
| | Mar | 52,776 | 239.5 |
| | Apr | 53,309 | 236.4 |
| | May | 53,875 | 258.7 |
| | Jun | 53,742 | 228.4 |
| | Jul | 53,102 | 238.3 |
| | Aug | 54,380 | 218.9 |
| | Sep | 53,651 | 221.7 |
| | Oct | 58,414 | 238.3 |
| | Nov | 52,481 | 232.3 |
| | Dec | 48,722 | 259.8 |
| 1990 | Jan | 56,929 | 249.3 |
| | Feb | 51,056 | n.a. |

a/ Seasonally adjusted
n.a. Not available

## COINCIDENT INDICATORS a/

| | | Nonagricultural Employment (Thousands) | Manufacturing Employment (Thousands) | Unemployment Rate (Percent) | Unemployment Avg. Weeks Claimed (Thousands) |
|---|---|---|---|---|---|
| 1988 | Jul | 12,127 | 2,155 | 5.3 | 325 |
| | Aug | 12,171 | 2,154 | 5.5 | 334 |
| | Sep | 12,206 | 2,161 | 5.1 | 317 |
| | Oct | 12,259 | 2,162 | 5.1 | 316 |
| | Nov | 12,311 | 2,166 | 5.3 | 324 |
| | Dec | 12,368 | 2,171 | 4.8 | 300 |
| 1989 | Jan | 12,388 | 2,170 | 5.0 | 327 |
| | Feb | 12,431 | 2,169 | 5.1 | 326 |
| | Mar | 12,471 | 2,173 | 4.6 | 332 |
| | Apr | 12,434 | 2,160 | 5.3 | 325 |
| | May | 12,484 | 2,159 | 5.3 | 324 |
| | Jun | 12,567 | 2,166 | 5.5 | 314 |
| | Jul | 12,599 | 2,165 | 5.2 | 324 |
| | Aug | 12,652 | 2,169 | 4.6 | 332 |
| | Sep | 12,692 | 2,163 | 5.1 | 324 |
| | Oct | 12,722 | 2,165 | 4.9 | 328 |
| | Nov | 12,762 | 2,166 | 5.1 | 341 |
| | Dec | 12,768 | 2,165 | 5.3 | 304 |
| 1990 | Jan | 12,846 | 2,177 | 5.2 | 333 |
| | Feb | 12,872 | 2,174 | 4.9 | 311 |
| | Mar | 12,889 | 2,175 | 5.2 | n.a. |

| | | Personal Income ($ millions) | Wages & Salaries from Mining, Construction and Manufacturing ($ millions) | Taxable Sales ($ millions) |
|---|---|---|---|---|
| 1987 | Qtr I | 477,553 | 73,489 | 55,795 |
| | Qtr II | 491,846 | 76,719 | 57,725 |
| | Qtr III | 491,363 | 77,159 | 58,727 |
| | Qtr IV | 504,812 | 78,784 | 59,383 |
| 1988 | Qtr I | 512,471 | 80,407 | 61,268 |
| | Qtr II | 516,809 | 80,123 | 62,064 |
| | Qtr III | 539,311 | 83,622 | 62,875 |
| | Qtr IV | 555,282 | 84,320 | 64,649 |
| 1989 | Qtr I | 551,276 | 85,385 | 65,231 |
| | Qtr II | 561,439 | 85,537 | 67,634 |
| | Qtr III | 578,877 | 86,916 | n.a. |
| | Qtr IV | 595,649 | 87,803 | n.a. |

## OTHER INDICATORS a/

| | | DOD Prime Contracts ($ millions) |
|---|---|---|
| 1986 | Qtr I | 6,914 |
| | Qtr II | 6,075 |
| | Qtr III | 6,993 |
| | Qtr IV | 3,897 |
| 1987 | Qtr I | 5,794 |
| | Qtr II | 6,473 |
| | Qtr III | 8,264 |
| | Qtr IV | 3,579 |
| 1988 | Qtr I | 4,982 |
| | Qtr II | 10,642 |
| | Qtr III | 6,366 |

| | | Electricity Production (Million KWH) |
|---|---|---|
| 1988 | Jul | 10,951 |
| | Aug | 10,692 |
| | Sep | 10,436 |
| | Oct | 10,027 |
| | Nov | 10,593 |
| | Dec | 10,732 |
| 1989 | Jan | 10,957 |
| | Feb | 11,807 |
| | Mar | 11,319 |
| | Apr | 11,005 |
| | May | 10,012 |
| | Jun | 10,892 |
| | Jul | 11,234 |
| | Aug | 10,928 |
| | Sep | 11,339 |
| | Oct | 10,787 |
| | Nov | 10,894 |
| | Dec | 10,769 |

a/ Seasonally adjusted

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

### TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

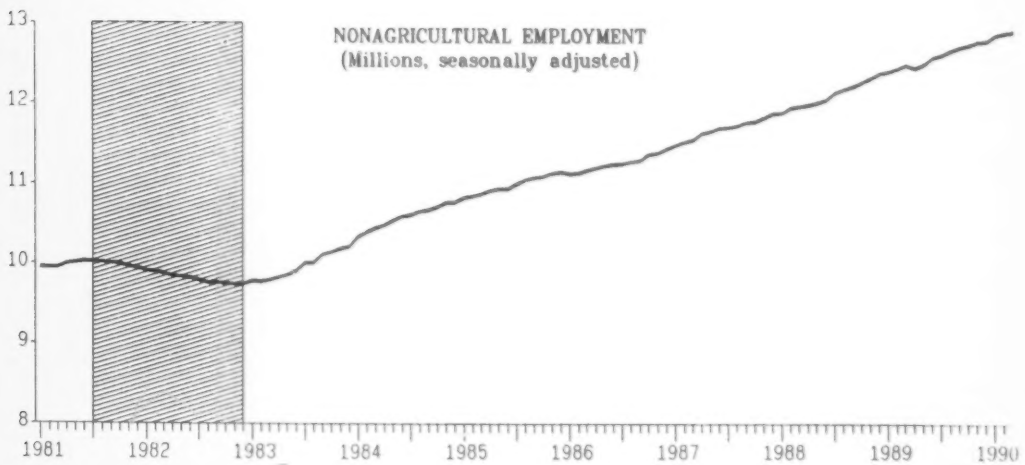
Manufacturing Employment

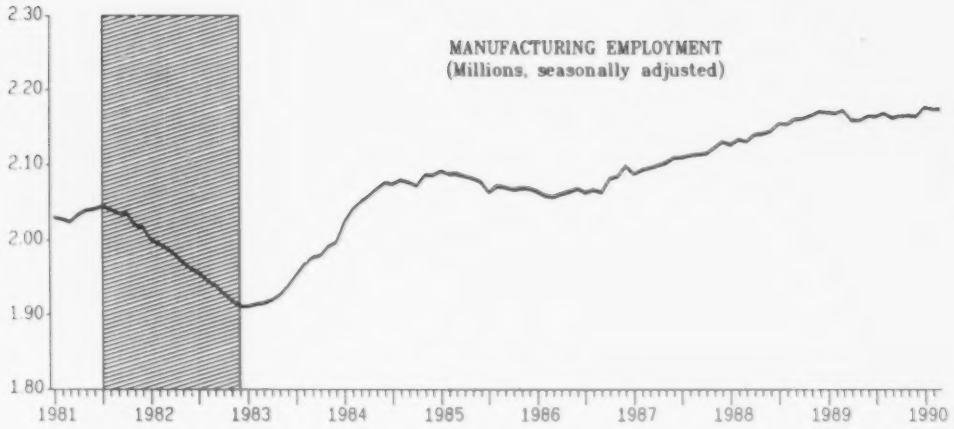
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable Sales

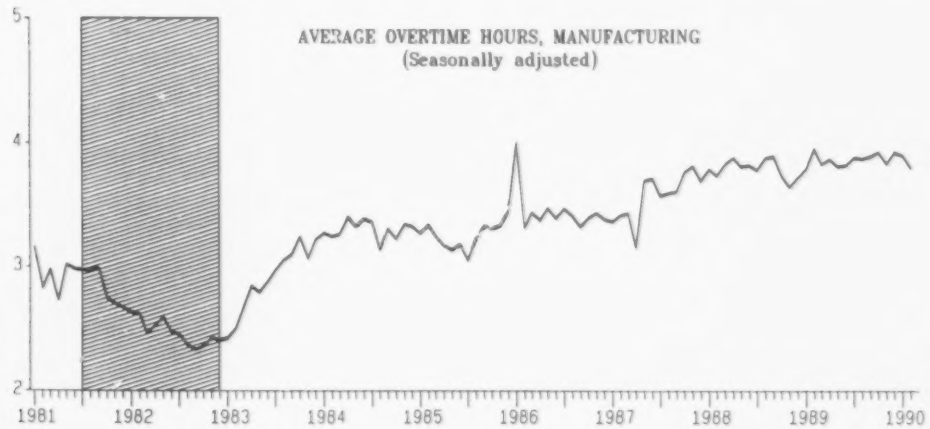
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

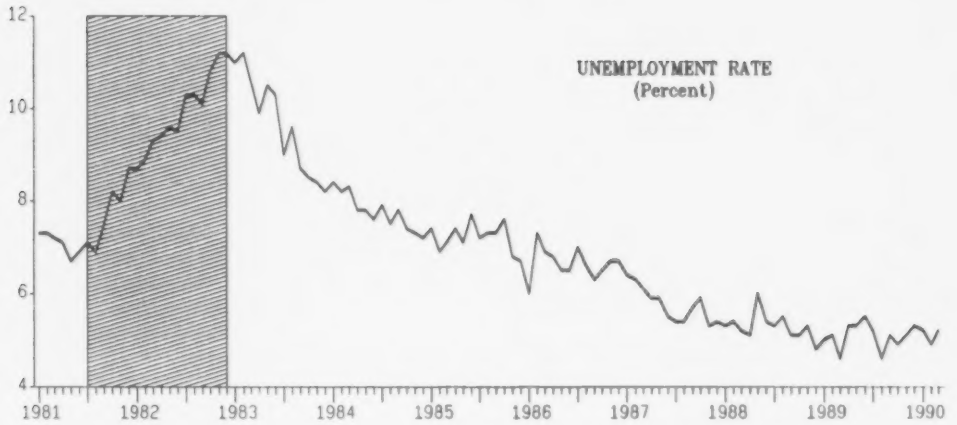
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

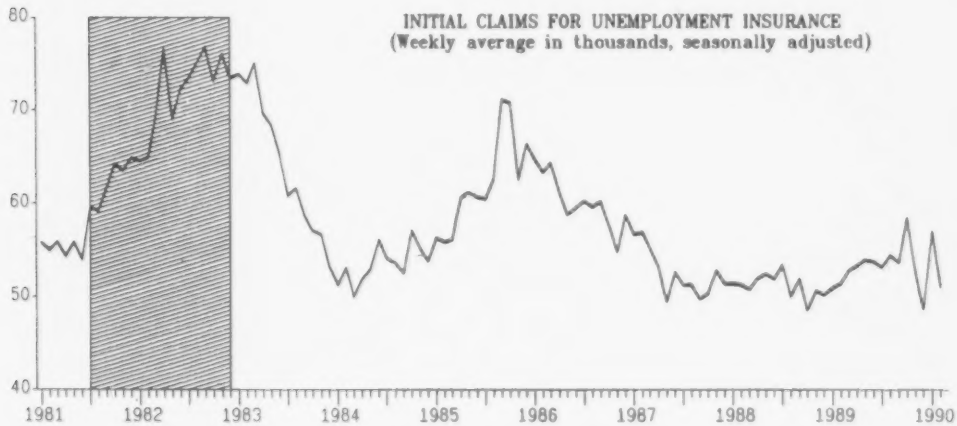


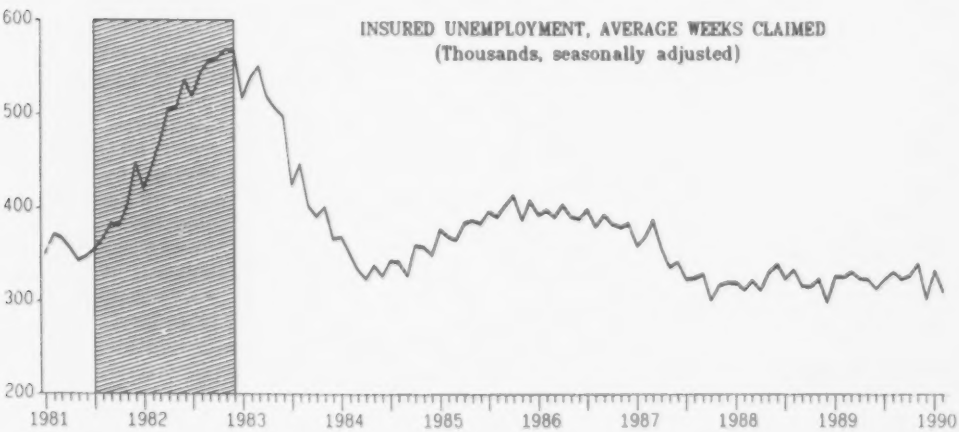

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

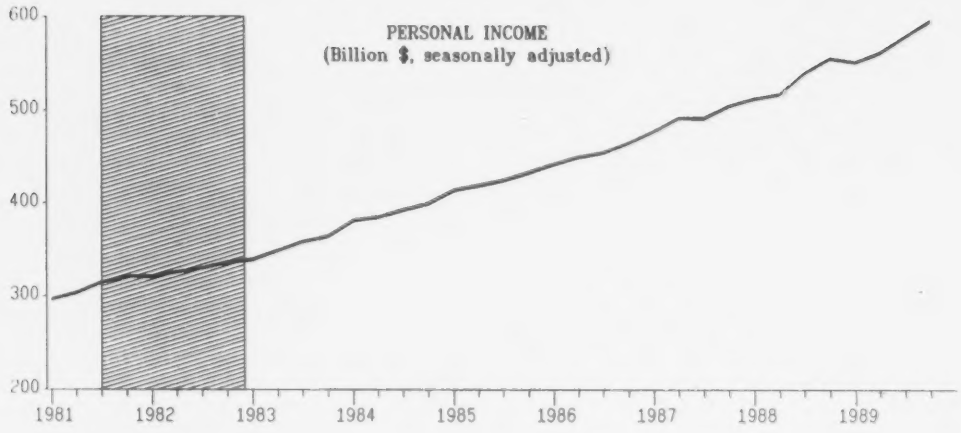
AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

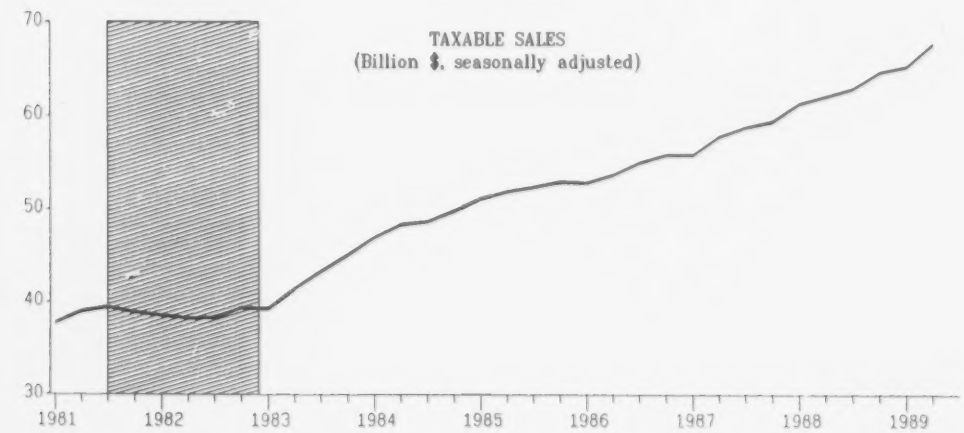

UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

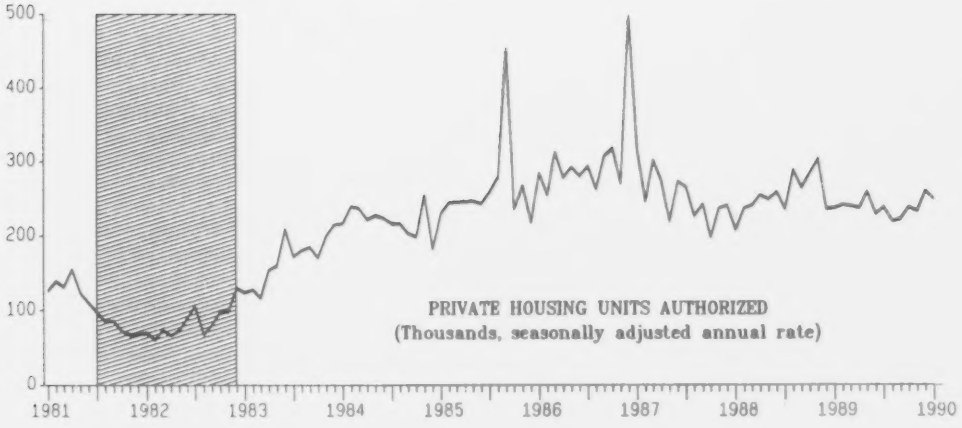

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

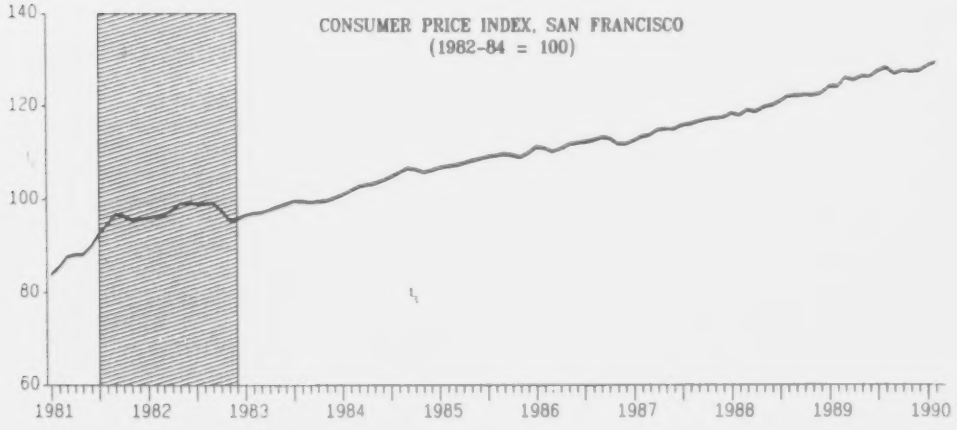

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

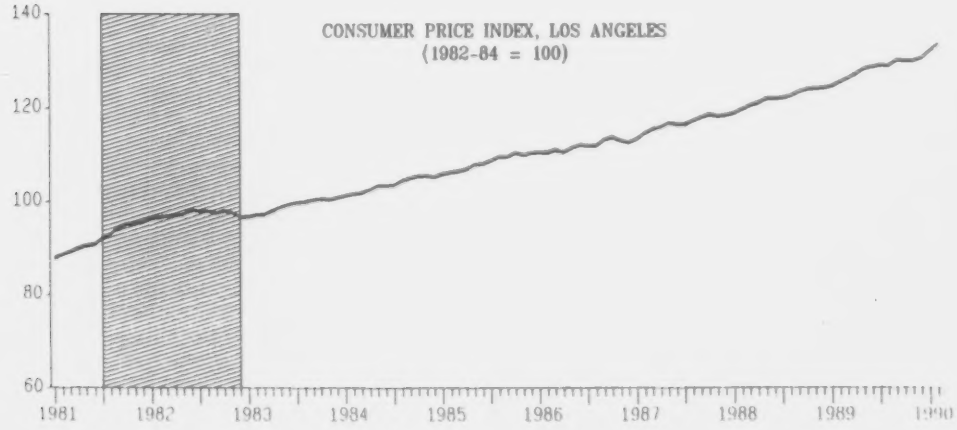

PERSONAL INCOME
(Billion $, seasonally adjusted)
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989

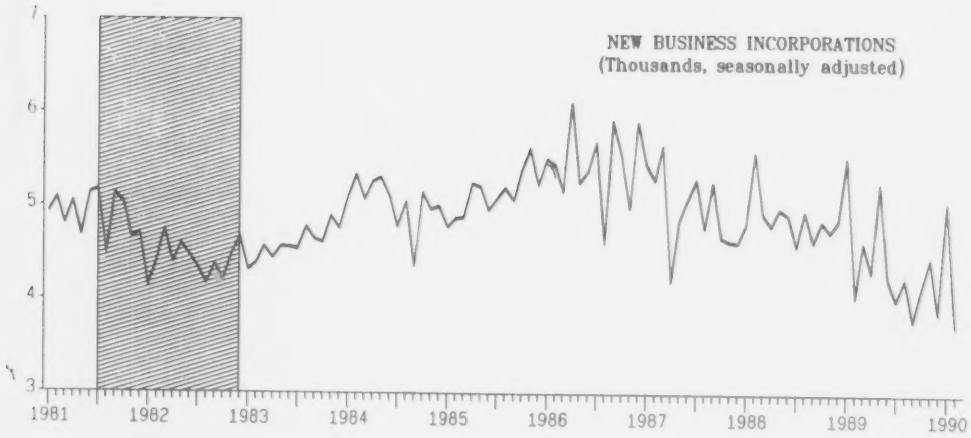
WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1981
1982
1983
1984
1985
1986
1987
1988
1989

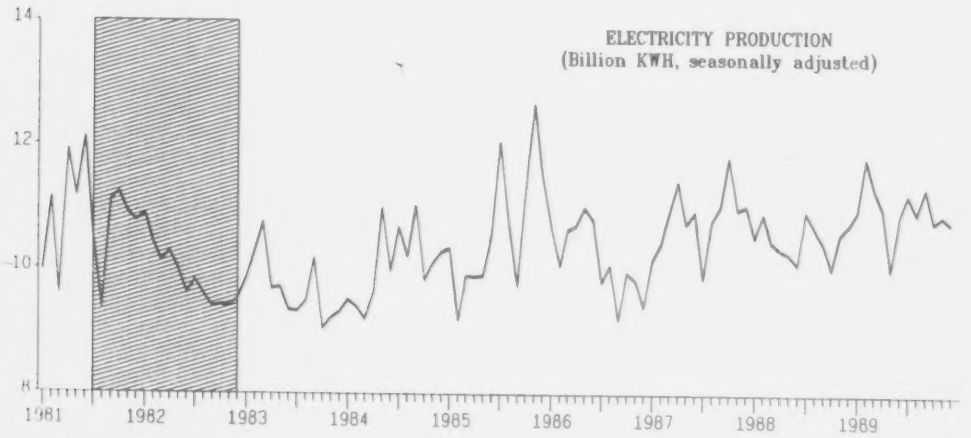

TAXABLE SALES
(Billion $, seasonally adjusted)
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989

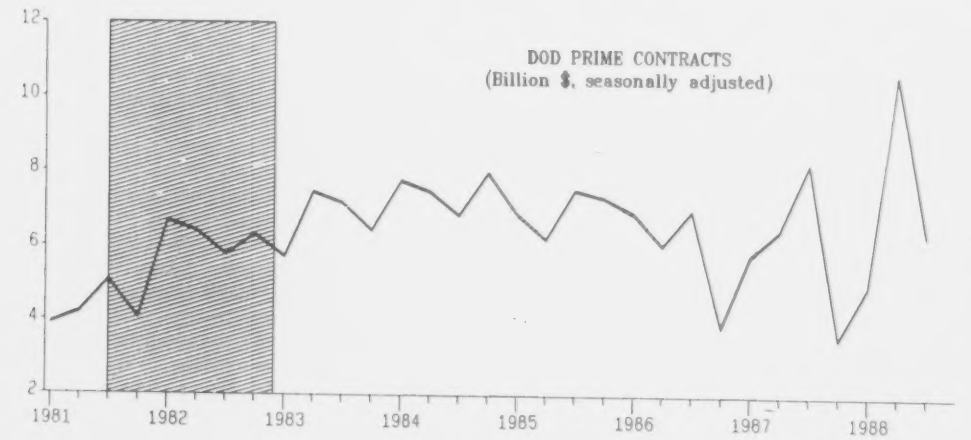

500
400
300
200
100
0
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)


140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)


140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
14
12
10
8
1981
1982
1983
1984
1985
1986
1987
1988
1989


DOD PRIME CONTRACTS
(Billion $, seasonally adjusted)
12
10
8
6
4
2
1981
1982
1983
1984
1985
1986
1987
1988

## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

### 1980

| | |
|---|---|
| February 25 | Prime rate raised to 16-1/2 percent. |
| February 27 | Ceilings on interest rates for government backed mortgages raised to 13 percent. |
| February 29 | Prime rate raised to 16-3/4 percent. |
| March 4 | Prime rate raised to 17-1/4 percent. |
| March 7 | Prime rate raised to 17-3/4 percent. |
| March 13 | Prime rate raised to 18-1/4 percent. |
| March 14 | Announcement of tighter fiscal policies. |
| March 17 | Three percent discount rate surcharge imposed. |
| March 18 | Prime rate raised to 19 percent. |
| April 2 | Prime rate raised to 20 percent. |
| April 3 | FHA mortgages raised to 14 percent. |
| April 20 | Prime rate reduced to 19-1/2 percent. |
| April 28 | FHA mortgages reduced to 13 percent. |
| | Prime rate reduced to 18-1/2 percent. |
| May 5 | Prime rate reduced to 18 percent. |

### 1980--continued

| | |
|---|---|
| May 7 | Prime rate reduced to 17 percent. |
| May 8 | Discount rate surcharge reimposed. |
| May 12 | Prime rate reduced to 16-1/2 percent. |
| May 19 | Prime rate reduced to 16 percent. |
| May 28 | Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent. |
| June 25 | Carpenters strike in Northern California ended. |
| July 3 | ICC begins trucking industry deregulation. |
| July 21-Oct. 23 | Motion picture and television industry strike. |
| July 22 | Prime rate reduced to 11 percent. |
| July 25 | Prime rate reduced to 10-3/4 percent. |
| July 28 | Discount rate reduced to 10 percent. |
| August 5 | Prime rate raised to 11 percent. |
| August 27 | Prime rate raised to 11-1/2 percent. |

## CHRONOLOGY--continued

1980--continued

| | |
|---|---|
| September 5 | FHA mortgage interest rate raised from 11-1/2 to 12 percent. |
| September 12 | California morgage rate raised from 13-1/2 percent to 13-3/4 percent. |
| September 25-Nov. 14 | Pacific Southwest Airlines (PSA) pilots strike begins. |
| September 26 | Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent. |
| October 2 | Prime raised from 13 to 13-1/2 percent. |
| October 3 | Prime raised to 14 percent. |
| October 15 | AFTA workers return to work. |
| October 30 | Prime raised from 14 to 14-1/2 percent. |
| November 7 | Prime raised from 14-1/2 to 15-1/2 percent. |
| November 17 | Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed. |
| November 21 | Prime raised to 17 percent. |
| November 28 | Prime raised to 17-3/4 percent. |
| December 3 | Prime raised from 17-3/4 to 18-1/2 percent. |
| December 5 | Discount rate raised from 12 to 13 percent. Prime raised to 19 percent. |
| December 11 | Prime raised to 20 percent. |
| December 17 | Prime raised from 20 to 21 percent. |
| December 23 | Prime lowered from 21 to 20-1/2 percent. |

1981

| | |
|---|---|
| January 1 | Minimum wage raised from $3.10 to $3.35. |
| January 6 | Prime lowered to 20 percent. |
| January 20 | American hostages released from Iran. |
| January 20 | Ronald Reagan inaugurated as 40th President of the U.S. |
| January 28 | Deregulation of oil and gas industry announced, effective immediately. |
| January 29 | Prime rate lowered to 19-1/2 percent from 20 percent. |
| February 16 | General Motors and Ford rebate plans announced. |
| February 23 | Prime rate lowered to 18 percent. |
| March 2 | Prime rate lowered to 18-1/2 percent. |
| March 10 | Prime rate lowered to 18 percent. |
| March 16 | Prime rate lowered to 17-1/2 percent. |
| March 18 | Prime rate lowered to 17 percent. |
| March 26-June 8 | United mine workers strike. |
| April 13 | Prime rate raised to 17-1/2 percent. |
| April 29 | Prime rate raised to 18 percent. |
| May 4 | Prime rate raised to 19 percent. |
| May 5 | Discount rate raised from 13 percent to 14 percent. |
| May 8 | FHA-VA rate up to 15-1/2 percent from 14-1/2 percent. |

## CHRONOLOGY--Continued

1981--Continued

| | |
|---|---|
| May 11 | Prime rate raised to 19-1/2 percent. |
| May 22 | Prime rate raised to 20 percent. |
| May 27 | OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level. |
| June 5 | Dollar reaches highest level in international trading since December 1971. |
| July 8 | Prime rate raised to 20-1/2 percent. |
| August 3 Jan. 17, 1986 | Professional Air Traffic Controller's Organization strike. |
| August 14 | President Reagan signs both the tax- and budget-cut bills into law. |
| August 18 | FHA-VA rate up to 16-1/2 percent from 15-1/2 percent. |
| September 1 | Prime rate lowered to 20 percent. |
| September 21 | Prime rate lowered to 19-1/2 percent. |
| September 22 | Fed surcharge cut to 3 percent from 4 percent. |
| October | Introduction of All Savers Certificates to stimulate savings. |
| October 6 | Prime rate lowered to 19 percent. |
| | Egyptian President Sadat assassinated. |
| October 13 | Prime rate lowered to 18 percent. |
| October 30 | OPEC price set at $34.00/barrel--the Saudi benchmark. |

1981--continued

| | |
|---|---|
| November 1 | Passbook interest rate raised 1/2 percent to 5-3/4 percent. |
| November 2 | Fed discount rate cut from 14 percent to 13 percent. |
| | Prime rate lowered to 17-1/2 percent. |
| November 10 | Prime rate lowered to 17 percent. |
| November 13 | Prime rate lowered to 16-1/2 percent. |
| | FHA mortgage rate lowered to 15-1/2 percent. |
| November 16 | Prime rate lowered to 16 percent. |
| November 17 | Fed eliminates 2 percent surcharge. Discount rate unaffected. |
| December 1 | Prime rate lowered to 15-1/2 percent. |
| December 4 | Fed discount rate lowered from 13 percent to 12 percent. |
| December 12 | Martial law imposed in Poland. |

1982

| | |
|---|---|
| January 22 | Federal funds rate raised to 13-1/2 percent. |
| January 25 | FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent. |
| February 2 | Prime rate raised to 16-1/2 percent by Citibank and Crocker. |
| February 18 | Prime rate increased to 17 percent. |
| February 24 | Prime rate cut to 16-1/2 percent. |

## CHRONOLOGY--continued

1982--continued

| | |
|---|---|
| March 1 | Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises. |
| March 8 | Prime rate lowered to 16 percent. |
| March 16 | Prime rate back up to 16-1/2 percent. |
| April 1 | OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels. |
| April 5 | Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975. |
| April 12 | General Motor and United Auto Workers labor agreement approved. |
| April 26 | The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century. |
| May 7 | U.S. unemployment rate reaches 9.4 percent for a post-WW II record. |
| May 13 | Braniff Air Lines ceases operation. |
| June 25 | Secretary of State Alexander Haig resigns. |
| June 28 | U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts. |
| July 20 | Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent. |

1982--Continued

| | |
|---|---|
| July 27 | Prime rate lowered to 15-1/2 percent. |
| August 2 | Discount rate lowered to 11 percent. Prime rate lowered to 15 percent. |
| August 9 | Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941. |
| August 16 | Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent. |
| August 18 | Dow Jones Industrial Average rose 38.81 points--an all-time record. |
| August 19 | The stock market trading soared to a record 132,690,000 shares. |
| August 27 | Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent. |
| November 23 | Prime rate lowered from 12 percent to 11-1/2 percent. |
| December 13 | Discount rate cut to 8-1/2 percent. |
| December 14 | Introduction of money market deposit accounts by banks and S&Ls. |

1983

| | |
|---|---|
| January 5 | Super NOW accounts introducted. |
| January 11 | Prime rate lowered to 11 percent. |
| January 31 | Independent truckers strike begins. |
| February 10 | Independent truckers strike end. |

## CHRONOLOGY--Continued

1983--Continued

| | |
|---|---|
| February 15 | Toyota/GM agreement to build a small car in late 1984. |
| February 25 | Prime rate lowered to 10-1/2 percent. |
| March 14 | OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels. |
| May 2 | An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California. |
| June 8 | The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent. |
| June 18 | Paul Volcker reappointed as Federal Reserve Board Chairman. |
| June 24 | The Federal Budget deficit totalled a record $29.29 billion in May. |
| July 7 | The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent. |
| July 13 | Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due. |
| July 25 | The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history. |
| August 1 | California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, |

1983--Continued

| | |
|---|---|
| | maturing next April and June, were oversubscribed. |
| August 2 | The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent. |
| August 7-August 28 | The Communications Workers of America and two other unions strike AT&T. |
| August 8 | Prime rate raised from 10-1/2 percent to 11 percent by most major banks. |
| August 23 | The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent. |
| September 1 | Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan. |
| November 1 | Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent. |
| November 3-December 21 | Strike against Greyhound Lines Inc. |
| December 1 | FHA mortgage interest rates begin to float. VA rates are still pegged. |

1984

| | |
|---|---|
| January 3 | Breakup of AT&T becomes effective. |
| February 2 | Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions. |
| March 19 | Prime rate raised from 11 percent to 11-1/2 percent. |
| March 20 | Maximum rate on VA loans raised from 12-1/2 to 13 percent. |

## CHRONOLOGY--Continued

### 1984--Continued

| | |
|---|---|
| April 4 | Prime rate raised from 11-1/2 percent to 12 percent. |
| April 9 | Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years. |
| May 5 | Prime rate raised from 12 percent to 12-1/2 percent. |
| June 26 | Prime rate raised from 12-1/2 percent to 13 percent. |
| September 3 - December 7 | Hotel and restaurant strike - San Francisco. |
| September 15-October 14 | UAW-General Motors strike. |
| September 28 | Prime rate reduced from 13 percent to 12-3/4 percent. |
| October 16 | Prime rate reduced from 12-3/4 percent to 12-1/2 percent. |
| October 28 | Prime rate reduced from 12-1/2 percent to 12 percent. |
| November 7 | Prime rate reduced from 12 percent to 11-3/4 percent. |
| November 21 | Discount rate reduced from 9 percent to 8-1/2 percent. |
| November 28 | Prime rate reduced from 11-3/4 percent to 11-1/4 percent. |
| December 17 | Prime rate reduced from 11-1/4 percent to 10-3/4 percent. |
| December 24 | Discount rate reduced from 8-1/2 percent to 8 percent. |

### 1985

| | |
|---|---|
| January 1 | Federal price controls removed from approximately half of the natural gas produced in the United States. |
| January 15 | Prime rate reduced from 10-3/4 percent to 10-1/2 percent. |
| March 9 | Home State Savings Bank Cincinnati, Ohio closed. |
| March 15 | Seventy Ohio thrift institutions closed to prevent run on deposits. |
| March 25 | Maximum rate on VA loans raised from 12-1/2 percent to 13 percent. |
| May 2 | Auto manufacturer's initiate low interest loan programs. |
| May 17-June 14 | United Airlines--Air Pilots Association strike. |
| May 17 | Prime rate reduced from 10-1/2 percent to 10 percent. |
| May 20 | Dow Jones Industrials close above 1,300 for the first time. |
| May 29 | Presidents' tax reform plan unveiled. |
| June 18 | Prime rate reduced to 9 1/2 percent from 10 percent. |
| July 16 | Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979. |
| July 22-October 16 | 8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years. |
| August 15 | GM announces 7.7 percent financing rate program to run through October 2nd. |

## CHRONOLOGY--Continued

1985--Continued

| | |
|---|---|
| August 20 | Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos. |
| September 4 | The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio. |
| September 15 | A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect. |
| September 16 | Saudi Arabia announces plans to boost oil production and cut prices. |
| September 22 | G-5 agreement to push the dollar lower. |
| November 7 | Dow Jones Industrials close above 1400 for the first time. |
| December 10 | World oil prices fall by more than a dollar after OPEC decides to abandon price supports. |
| December 12 | President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991. |
| December 23 | President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System. |

1986

| | |
|---|---|
| January 1 | Ceiling on Super NOW accounts was removed. |

1986--Continued

| | |
|---|---|
| January 17 | United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history. |
| January 28 | Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died. |
| February 26 | Corazon Aquino takes over Phillipines as the new president. |
| March 3 | Dow Jones Industrials close above 1700 for the first time. |
| March 4 | Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years. |
| | Oil prices fall to $12 per barrel. |
| March 7 | The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan. |
| March 10 | Prime rate cut to 9 percent from 9-1/2 percent. |
| March 21 | Dow Jones Industrials close above 1800 for the first time. |
| | Conservative Chirac appointed as Prime Minister of France. |
| March 25 | U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra. |
| April 1 | Interest ceilings on passbook saving accounts ended. |
| | Oil prices fall to under $11 per barrel. |
| April 14 | U.S. air strike against Libya. |

## CHRONOLOGY--Continued

1986--Continued

| | |
|---|---|
| April 21 | U.S. Dollar reaches a post-WWII low against the Yen at 168.60. |
| | Discount rate cut from 7 percent to 6-1/2 percent. |
| | Prime rate cut to 8-1/2 percent from 9 percent. |
| April 23 | Paul Volcker warns of public and private debt buildup as a threat to the economy. |
| April 25 | Soviet nuclear plant at Chernobyl destroyed by fire. |
| May 12 | U.S. dollar falls to 159.95 Yen. |
| May 22 | U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada. |
| June 1-June 26 | CWA strike at AT&T. |
| July 7 | The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional. |
| July 7 | The Dow Jones Industrial average was down a record 61.87 points. |
| July 10 | The Fed lowered the discount rate from 6-1/2% to 6%. |
| July 11 | Prime rate cut to 8 percent from 8-1/2 percent. |
| July 20 | Prime rate cut to 7-1/2 percent. |
| August 1 | United steelworkers strike for the first time since 1959. 44,000 workers were involved. |

1986--Continued

| | |
|---|---|
| August 20 | The discount rate was reduced from 6 percent to 5-1/2 percent. |
| August 27 | The prime rate was cut to 7-1/2 percent from 8 percent. |
| August 28 | General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent. |
| September 4 | Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17. |
| September 5 | California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income. |
| September 11 | The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89. |
| October 22 | President Reagan signs the tax reform bill into law, the first full scale remodification since 1954. |
| October 27-December 13 | Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike |
| November 1 | The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only. |

## CHRONOLOGY--Continued

### 1987

January 1 — California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.

Fannie Mae raises mortgage ceiling to $153,100 from $133,250.

OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.

January 8 — The Dow Jones Industrial average topped the 2000 mark.

January 19 — The Dow Jones Industrial average topped the 2100 mark.

January 19 — The California Trade Office opened in Tokyo.

The dollar fell to a record low against the yen--150.49 yen to the dollar.

January 22 — The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67.

February 5 — Brazil suspends interest payments on commercial debt.

The Dow Jones Industrial average topped the 2200 mark.

March 5 — Ecuador is rocked by severe earthquake.

March 16 — Fannie Mae announces it will not enter home equity loan market.

March 20 — The Dow Jones Industrial average topped the 2300 mark.

March 24 — U.S. dollar falls to post WW II low--148.5 yen to the dollar.

April 1 — The prime rate increased from 7-1/2 to 7-3/4 percent.

April 6 — The Dow Jones Industrial average topped the 2400 mark.

April 13 — The California Trade Office opened in London.

May 1 — The prime rate was increased from 7-3/4 percent to 8 percent.

May 5 — Immigration amnesty program in effect.

May 7 — The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

May 15 — The prime rate was increased to 8-1/4 percent from 8 percent.

May 17 — The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.

June 1 — Penalties in place for employers of illegal aliens.

July 17 — Dow Jones Industrials close over 2,500 for the first time.

July 22 — Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.

August 10 — Dow Jones index closes over 2,600 for 1st time.

August 11 — Alan Greenspan sworn in as Chairman of the Federal Reserve Board.

August 17 — Dow Jones index closes over 2,700 for 1st time.

## CHRONOLOGY--Continued

1987--Continued

| | |
|---|---|
| September 4 | Discount rate raised from 5-1/2 percent to 6 percent. |
| | Prime rate raised from 8-1/4 percent to 8-3/4 percent. |
| October 1 | Severe earthquake hits Southern California. Epicenter near Whittier. |
| October 7 | Prime rate raised from 8-3/4 percent to 9-3/4 percent. |
| October 14 | Dow Jones Industrials fall a record 95 points. |
| October 15 | Dow Jones Industrials down 58 points. |
| October 16 | Dow Jones Industrials down a record 108 points. |
| October 19 | Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points. |
| October 21 | Dow up a record 187 points. |
| October 22 | Prime rate cut to 9 percent from 9-1/4 percent. |
| November 2 | Dollar falls to 40 year low of 136.95 Yen. |
| November 5 | Prime rate cut to 8-3/4 percent from 9 percent. |
| November 23-November 24 | Severe earthquakes hit Imperial County. |
| November 30 | Dollar hits postwar lows against Yen and Mark. |

**1988**

| | |
|---|---|
| February 3 | Prime rate cut to 8.5 percent from 8.75 percent. |
| March 7-August 7 | Television writers strike. |

1988--Continued

| | |
|---|---|
| May 12 | Prime rate raised from 8.5 percent to 9 percent. |
| July 1 | California's minimum wage raised from $3.35 to $4.25. |
| July 3 | U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf. |
| July 14 | Prime rate raised from 9 percent to 9-1/2 percent. |
| August 9 | Discount rate raised from 6 percent to 6-1/2 percent. |
| August 11 | Prime rate raised from 9-1/2 percent to 10 percent. |
| November 28 | Prime rate raised from 10 percent to 10-1/2 percent. |
| December 8 | Severe earthquake hits Soviet Armenia; death toll more than 100,000. |
| December 21 | Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash. |

**1989**

| | |
|---|---|
| February 10 | Prime rate raised from 10-1/2 percent to 11 percent. |
| February 24 | Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent. |
| March 4 | International Association of Machinists strike against Eastern Airlines. |
| March 24 | Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil. |
| June 5 | Prime rate cut from 11-1/2 percent to 11 percent. |

## CHRONOLOGY--Continued

1989--Continued

| | |
|---|---|
| July 10 | Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent. |
| July 19 | DC-10 crashes at Sioux City; hydraulic systems failure cited as cause. |
| July 31 | Most major banks cut prime rate to 10-1/2 percent. |
| September 21 | Hurricane Hugo hits the Carolinas causing extensive property damage. |
| October 4-November 20 | International Association of Machinists strike Boeing. |
| October 17 | Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area. |
| November 30 | October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989. |

1990

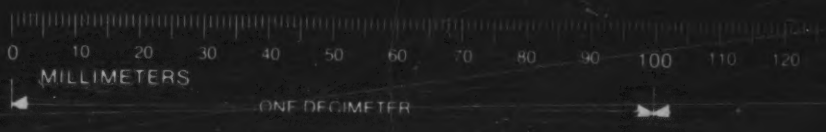
| | |
|---|---|
| January 8 | Prime rate cut from 10-1/2 percent to 10 percent. |
| January 15 | Campeau Corp. files for Chapter 11 bankruptcy-law protection. |
| February 13 | Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection. |
| April 1 | Federal minimum wage raised from $3.35 to $3.80. |

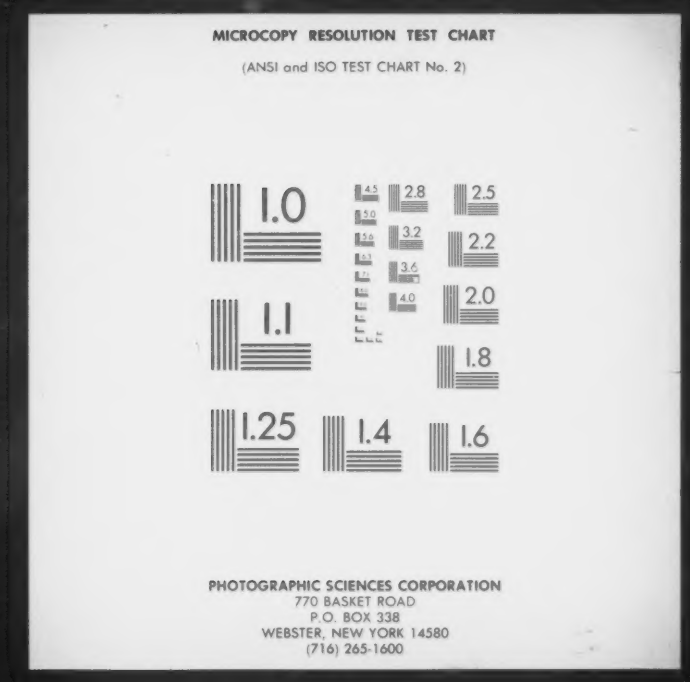
## REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

| Initial Trough | | Peak | | Terminal Trough | | Expansion (months) | Contraction (months) | Total (months) |
|---|---|---|---|---|---|---|---|---|
| Dec. | 1854 | June | 1857 | Dec | 1858 | 30 | 18 | 48 |
| Dec. | 1858 | Oct. | 1860 | June | 1861 | 22 | 8 | 30 |
| June | 1861 | April | 1865 | Dec. | 1867 | 46 | 32 | 78 |
| Dec. | 1867 | June | 1869 | Dec. | 1870 | 18 | 18 | 36 |
| Dec. | 1870 | Oct. | 1873 | March | 1879 | 34 | 65 | 99 |
| March | 1879 | March | 1882 | May | 1885 | 36 | 38 | 74 |
| May | 1885 | March | 1887 | April | 1888 | 22 | 13 | 35 |
| April | 1888 | July | 1890 | May | 1891 | 27 | 10 | 37 |
| May | 1891 | Jan. | 1893 | June | 1894 | 20 | 17 | 37 |
| June | 1894 | Dec. | 1895 | June | 1897 | 18 | 18 | 36 |
| June | 1897 | June | 1899 | Dec. | 1900 | 24 | 18 | 42 |
| Dec. | 1900 | Sept. | 1902 | Aug. | 1904 | 21 | 23 | 44 |
| Aug. | 1904 | May | 1907 | June | 1908 | 33 | 13 | 46 |
| June | 1908 | Jan. | 1910 | Jan. | 1912 | 19 | 24 | 43 |
| Jan. | 1912 | Jan. | 1913 | Dec. | 1914 | 12 | 23 | 35 |
| Dec. | 1914 | Aug. | 1918 | March | 1919 | 44 | 7 | 51 |
| March | 1919 | Jan. | 1920 | July | 1921 | 10 | 18 | 28 |
| July | 1921 | May | 1923 | July | 1924 | 22 | 14 | 36 |
| July | 1924 | Oct. | 1926 | Nov. | 1927 | 27 | 13 | 40 |
| Nov. | 1927 | Aug. | 1929 | March | 1933 | 21 | 43 | 64 |
| March | 1933 | May | 1937 | June | 1938 | 50 | 13 | 63 |
| June | 1938 | Feb. | 1945 | Oct. | 1945 | 80 | 8 | 88 |
| Oct. | 1945 | Nov. | 1948 | Oct. | 1949 | 37 | 11 | 48 |
| Oct. | 1949 | July | 1953 | May | 1954 | 45 | 10 | 55 |
| May | 1954 | Aug. | 1957 | April | 1958 | 39 | 8 | 47 |
| April | 1958 | April | 1960 | Feb. | 1961 | 24 | 10 | 34 |
| Feb. | 1961 | Dec. | 1969 | Nov. | 1970 | 106 | 11 | 117 |
| Nov. | 1970 | Nov. | 1973 | March | 1975 | 36 | 16 | 52 |
| March | 1975 | Jan. | 1980 | July | 1980 | 58 | 6 | 64 |
| July | 1980 | July | 1981 | Nov. | 1982 | 12 | 16 | 28 |

## SOURCES OF STATISTICAL SERIES

| | |
|---|---|
| Employment Development Department<br>Employment Data and Research | Civilian employment<br>Unemployment<br>Unemployment rate<br>Hours and earnings<br>Initial claims for unemployment insurance<br>Insured unemployment, average weeks claimed |
| Department of Industrial Relations<br>Division of Labor Statistics and Research | California consumer price index |
| Department of Finance | Personal income<br>Wages and salaries<br>Nonagricultural employment<br>Manufacturing employment |
| Department of Motor Vehicles | New auto registrations |
| State Board of Equalization | Taxable sales |
| U.S. Department of Commerce | Retail sales<br>Housing units authorized<br>Construction valuation |
| U.S. Bureau of Labor Statistics | Consumer price indices |
| U.S. Department of Energy | Electricity production |
| U.S. Department of Defense | Prime defense contracts |
| Conservation Committee of California Oil Producers | Petroleum production |
| U.S. Bureau of Mines | Cement production |
| California Secretary of State | New business incorporations |
| Coldwell Banker | Vacancy rates |
| California Association of Realtors | Existing family home data |
| Construction Industry Research Board | Housing units authorized<br>Construction valuation |

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# CALIFORNIA ECONOMIC INDICATORS

## May/June 1990

DEPARTMENT OF FINANCE

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## INTRODUCTION

*California Economic Indicators* is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

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|---|---|
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| March | 6.75 |
| May | 5.40 |
| July | 4.05 |
| September | 2.70 |
| November | 1.35 |

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## REVIEW OF ECONOMIC DEVELOPMENTS

The overall tone of economic activity in California remains positive. Nonagricultural wage and salary employment in April was up 4.3 percent over the comparable year earlier level, twice the national growth rate. In the past year, California has added more than a half million new non-farm jobs, more than matching 1989's pace. After relatively slow growth in February and March, more than 50,000 workers were added to the state's payrolls during the most recent month. Private industries accounted for 30,000 of these new jobs (the other 20,000 were mostly temporary Census takers), in sharp contrast to the nationwide decline in private payrolls during the month.

Other indicators also point to continued solid growth in the state's economy. Retail sales in March were 8.4 percent higher than a year ago, well above the nation's gain of less than 6 percent. The retail sales increase was supported by a solid 8.3 percent year-over-year advance in first quarter personal income, also considerably better than the national gain. (See article beginning on page 5 for a further discussion of state and national income trends.) First quarter homebuilding activity averaged an annual rate of 222,000 units, down somewhat from last year, but well above the near recession levels reported for the rest of the country.

In short, there is nothing in the recent batch of California economic statistics to support the widely publicized view that business activity in the state is beginning to falter. On the contrary, the figures continue to describe an economy which was, according to *The Wall Street Journal* earlier this year, "the healthiest in the country over the last five years."

**Aerospace Jitters.** Much of the recent concern over prospects for California's economy is focused on the outlook for defense spending and its effects on the state's large high technology sector. With larger cuts in the defense budget now a virtual certainty, several firms in the state have announced employment reductions. The recent announcements have related almost entirely to management, not production workers, as the firms seek to remain profitable in the new environment. Some observers fear a replay of the early 1970s, when aerospace employment was slashed by 30 percent as the Vietnam war and Apollo space program were winding down.

However, this pessimistic view ignores or downplays several very important differences between the current situation and that prevailing 20 years ago. To briefly summarize the differences:

- The size of the technology sector relative to the state's economy is much less today. Aerospace--as it was then called--reached a peak of 616,000 jobs in December 1967, accounting for one out of every ten of California's 6.3 million wage earners at the time. At the December 1988 peak, the 746,000 high tech workers represented only 6 percent of total wage and salary employment.

- The composition of the sector--and its markets--has changed dramatically in 20 years. In the 1960s, most of the aerospace industry was defense and space oriented. The electronics industry was small and mainly supplied the defense contractors. Today, most of electronics--which accounts for about half of high tech employment--is a nondefense capital goods industry, manufacturing computers, components and instruments for a wide variety of markets, both domestic and international.

- In the early seventies, both defense and space spending were in decline, while rising fuel prices and regulated airfares sidelined the commercial market. Today, if anything, prospects for space expenditures are improving, while the commercial market remains extremely strong. Management reductions announced by one commercial manufacturer are related to efforts to bolster profitability, and are not indicative of overall market conditions. California firms as subcontractors continue to benefit from the success of both of the nation's major airframe manufacturers.

To bring some perspective to the present day concerns over defense cuts, in order to replicate the 30 percent drop in high technology employment seen from 1968-72 would require a 60 percent plunge in the defense/space oriented portion of the sector. Since commercial, nongovernment markets

account for more than one-third of the aircraft, missile and aerospace instruments industries, this would require essentially a complete closing down of the Department of Defense and NASA. Further, to have a similar impact on the entire economy as was witnessed 20 years ago, even the nondefense portions of these three industries would have to disappear.

Given the backlog of defense contracts already on the books, and the positive outlook for space spending and commercial aircraft demand, a far more likely outlook is one of gradual decline in these industries, with employment losses offset by continued gains in the nondefense electronics industries. This year, conditions may be a bit weaker over all, given temporary slack demand for computers and components. But the next several years are likely to see slow growth in the high technology sector as a whole, essentially continuing the trend evident since the mid-1980s.

**Real Estate and Construction.** The second element in the gloomy view of California relates to the real estate and construction industries. However, once again, efforts to draw parallels between California's residential real estate market and those of the Southwest and Northeast also do not stand up to a close examination of the data. Home prices in California are not falling as they are in the Northeast and Southwest. It is true that the rate of home price appreciation has slowed in most of the coastal markets, while sales volume in these areas has also declined. But even in these high priced areas, home price increases in most instances are keeping pace with the state's 4-1/2 percent rise in consumer prices. The drop in sales volume is related to the rise in mortgage interest rates and is no greater in California than in the rest of the nation.

In more affordable inland areas, meanwhile, both prices and sales volumes are booming. This, of course, is not a particularly healthy development, and sooner or later volume and price appreciation in these markets will also slow. The point is, however, that the overall market in California, rather than falling into a slump, is merely returning to a more normal condition following a period of overheated speculation.

Another indication of the relative strength of California's economy is provided by Coldwell Banker Commercial's reports on office vacancy rates and absorption for the first quarter of 1990. During the first three months of 1990, nearly 6 million square feet of office space was absorbed in the Pacific region (the three west coast states and Hawaii, of which California is more than 85 percent), double the new leasing activity of any other region of the nation. Vacancy rates in most of the state's major markets have fallen over the past year, again in contrast to the Northeast where vacancy rates are rising and where there were net move-outs (negative absorption) in the commercial office markets during the first quarter.

Homebuilding activity presents another sharp contrast between California and the rest of the country. While homebuilders in most areas have cut back to 1982 recession levels of activity--April permit volume was the lowest in eight years--in California, permits continued to be issued at a better than 200,000 unit pace, well over double the 1982 level. Rising mortgage interest rates have slowed activity to some degree, but strong underlying demand, generated by the ongoing boom in the state's population, continues to fuel the housing market.

January estimates show another post World War II record gain in California's population, which advanced 2.7 percent to start the year at 29,473,000. The annual gain of 772,000 was the largest in almost 50 years.

In reviewing these most recent economic statistics it is very difficult to find evidence of the slowdown in the California economy which has attracted so much attention especially in the business press. Examination of the actual data suggests that, if anything, the performance gap between California and the rest of the nation is getting wider.

**ECONOMIC REPORT OF THE GOVERNOR**

The 1990 Economic Report of the Governor is now available from the Department of Finance. In addition to the customary review and outlook of the state's economy and its major industries, this year's report also includes a chapter on the longer run outlook for the state. The Report is available without charge from the Economic Research Unit, Department of Finance, 8th Floor, 915 L Street, Sacramento, CA 95814.

## STATE AND COUNTY PERSONAL INCOME

The table on the following page shows revised Department of Finance California personal income estimates for the four quarters and full year 1989, together with a preliminary estimate for the first quarter of 1990. The annual figure for 1989 of $571.6 billion is not materially different from the $571.8 billion figure reported in the March/April issue of *Indicators*.

Personal income in the fourth quarter was affected by two special factors. The Loma Prieta earthquake reduced income by $7.7 billion at an annual rate. Rental income was reduced by $6.1 billion at an annual rate (to a negative $3.1 billion), representing uninsured losses to residential structures. Nonfarm proprietors' income was reduced by $1.6 billion at an annual rate, representing uninsured losses suffered by unincorporated businesses. For the full year, the effect of these losses was to reduce California personal income by roughly $2 billion or 0.3 percent.

While the earthquake reduced income, fourth quarter bonus payments to principals in personal service corporations (PSCs, mainly professionals such as doctors, lawyers, accountants and engineers) boosted wage and salary income in the services sector. Wages in services increased almost $13 billion at an annual rate in the fourth quarter from the third quarter pace.

Personal income advanced only slightly in the first quarter. It is estimated that following the large year end bonus payments, services wages fell by nearly $12.5 billion at an annual rate, to near the third quarter level. This drop was offset by modest wage growth in most other industries, and by a rebound from the quake effects in rental and non-farm proprietors' income. In September, when the annual personal income revisions are published, the Department of Finance will modify the seasonal factors for services wages and earnings to eliminate the quarterly volatility associated with the PSC bonus payments.

Revised data from the U.S. Department of Commerce indicate that, despite the earthquake, California's 7.7 percent personal income gain outpaced the nation in 1989. Income growth nationally is now estimated at 7.6 percent last year, down sharply from the 8.9 percent increase indicated in the national income accounts. The new national figures still include a drought recovery effect, which boosts the U.S. total by about 0.6 percent in 1989. California's farm economy was not affected by the 1988 Midwest drought, and no drought recovery effect is included in the state income data for 1989. Excluding the effects of the drought and earthquake, California income would have increased by about 8.1 percent last year, compared to an underlying gain of 7 percent for the nation. A description of the revisions appears in the box on page 8.

**County Personal Income.** The U.S. Department of Commerce has also released county personal and per capita income data for 1988. Figures for California counties are shown below and on page 7. Bay Area counties continued to dominate per capita income rankings in 1988, accounting for eight of the top ten counties in personal income per person. In terms of total income, Los Angeles County's $161 billion figure accounted for more than 30 percent of the state total. Smaller counties are more prominent in the measures of income growth. Mono, Alpine and Imperial are the top three in

1988 PERSONAL INCOME: TOP TEN COUNTIES RANKED BY . . .

| PER CAPITA INCOME | | | PER CAPITA GROWTH | | | TOTAL INCOME | | | TOT. INCOME GROWTH | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | | $ | Rank | | % | Rank | | $ Mil | Rank | | % |
| 1 | Marin | 32,417 | 1 | Mono | 12.0 | 1 | Los Angeles | 161,368 | 1 | Mono | 14.7 |
| 2 | San Mateo | 25,846 | 2 | Alpine | 10.7 | 2 | Orange | 51,353 | 2 | Imperial | 12.5 |
| 3 | San Francisco | 24,786 | 3 | Imperial | 9.2 | 3 | San Diego | 41,661 | 3 | Alpine | 11.8 |
| 4 | Santa Clara | 23,181 | 4 | San Francisco | 7.7 | 4 | Santa Clara | 33,196 | 4 | Madera | 10.9 |
| 5 | Contra Costa | 23,011 | 5 | Inyo | 7.6 | 5 | Alameda | 24,717 | 5 | San Bernardino | 10.9 |
| 6 | Orange | 22,753 | 6 | Marin | 7.3 | 6 | San Bernardino | 19,573 | 6 | Solano | 10.4 |
| 7 | Alameda | 19,916 | 7 | San Mateo | 7.2 | 7 | San Francisco | 18,135 | 7 | Riverside | 10.2 |
| 8 | Santa Barbara | 19,897 | 8 | Santa Clara | 7.2 | 8 | Contra Costa | 17,607 | 8 | Amador | 10.1 |
| 9 | Napa | 19,692 | 9 | Madera | 7.0 | 9 | Sacramento | 16,614 | 9 | El Dorado | 10.0 |
| 10 | Sonoma | 19,584 | 10 | Napa | 7.0 | 10 | San Mateo | 16,240 | 10 | Del Norte | 9.5 |

## CALIFORNIA PERSONAL INCOME: 1989-90
(In Millions of Dollars)

| | 1989 | | | | 1990 | Full Year 1989 | |
|---|---|---|---|---|---|---|---|
| | I | II | III | IV | I | Amount | % Change |
| **EARNINGS (Place of Work)** | 408,635 | 415,075 | 429,655 | 449,087 | 442,484 | 425,613 | 7.0 |
| Farm | 6,329 | 6,445 | 6,602 | 6,571 | 6,615 | 6,487 | 3.2 |
| Mining | 1,932 | 2,046 | 1,962 | 1,975 | 1,945 | 1,979 | -3.1 |
| Construction | 28,105 | 28,560 | 28,966 | 30,983 | 30,958 | 29,154 | 8.7 |
| Manufacturing | 75,858 | 75,721 | 76,934 | 79,199 | 79,690 | 76,928 | 5.4 |
| TCU | 24,477 | 23,760 | 24,870 | 24,592 | 26,403 | 24,425 | 6.0 |
| Trade | 65,723 | 67,070 | 68,423 | 70,139 | 70,078 | 67,839 | 6.2 |
| Finance-Ins-Real estate | 28,937 | 29,568 | 32,310 | 34,777 | 31,321 | 31,398 | 2.6 |
| Services | 108,556 | 113,780 | 118,815 | 130,540 | 119,380 | 117,923 | 8.4 |
| Government | 64,136 | 63,030 | 65,382 | 64,181 | 70,122 | 64,182 | 7.6 |
| Federal Civilian | 11,426 | 10,536 | 11,528 | 10,241 | 12,140 | 10,933 | 2.8 |
| Military | 7,240 | 7,298 | 7,350 | 7,424 | 7,698 | 7,328 | 4.6 |
| State and Local | 45,470 | 45,196 | 46,504 | 46,516 | 50,284 | 45,922 | 9.3 |
| Other Industries | 4,582 | 5,095 | 5,391 | 6,130 | 5,972 | 5,300 | 44.2 |
| **WAGES AND SALARIES (Pl of Wk)** | 328,111 | 332,457 | 344,125 | 363,897 | 355,087 | 342,148 | 7.1 |
| Farm | 1,794 | 1,800 | 1,829 | 1,919 | 2,004 | 1,836 | 4.6 |
| Mining | 1,528 | 1,617 | 1,551 | 1,569 | 1,538 | 1,566 | -2.4 |
| Construction | 18,405 | 18,679 | 18,945 | 20,470 | 20,274 | 19,125 | 9.0 |
| Manufacturing | 65,452 | 65,333 | 66,380 | 68,369 | 68,758 | 66,384 | 5.4 |
| TCU | 19,365 | 18,797 | 19,676 | 19,514 | 20,888 | 19,338 | 6.0 |
| Trade | 55,603 | 56,743 | 57,888 | 59,538 | 59,287 | 57,443 | 6.2 |
| Finance-Ins-Real estate | 25,316 | 25,869 | 28,268 | 30,583 | 27,403 | 27,509 | 2.7 |
| Services | 76,718 | 80,353 | 83,909 | 96,801 | 84,367 | 84,445 | 8.9 |
| Government | 60,715 | 59,691 | 61,896 | 60,790 | 66,377 | 60,773 | 7.5 |
| Federal Civilian | 10,579 | 9,755 | 10,674 | 9,483 | 11,241 | 10,123 | 2.8 |
| Military | 7,240 | 7,298 | 7,350 | 7,424 | 7,698 | 7,328 | 4.6 |
| State and Local | 42,896 | 42,638 | 43,872 | 43,883 | 47,438 | 43,322 | 9.3 |
| Other Industries | 3,215 | 3,575 | 3,783 | 4,344 | 4,191 | 3,729 | 44.2 |
| **OTHER LABOR INCOME (Pl of Wk)** | 31,631 | 31,898 | 32,965 | 34,092 | 34,084 | 32,647 | 6.7 |
| **PROPRIETORS' INCOME (Pl of Wk)** | 48,893 | 50,720 | 52,565 | 51,098 | 53,313 | 50,819 | 6.9 |
| Farm | 4,312 | 4,422 | 4,546 | 4,414 | 4,362 | 4,424 | 2.5 |
| Nonfarm | 44,581 | 46,298 | 48,019 | 46,684 | 48,951 | 46,396 | 7.4 |
| **PROPERTY INCOME (Pl of Res)** | 95,616 | 98,633 | 100,350 | 96,396 | 103,091 | 97,749 | 10.7 |
| Dividends | 13,277 | 13,524 | 13,746 | 14,042 | 14,341 | 13,647 | 10.1 |
| Interest | 79,313 | 82,612 | 84,205 | 85,454 | 86,436 | 82,896 | 15.3 |
| Rent | 3,026 | 2,497 | 2,399 | (3,100) | 2,314 | 1,206 | -69.9 |
| **TRANSFER PAYMENTS (Pl of Res)** | 73,541 | 74,685 | 75,772 | 77,204 | 80,340 | 75,301 | 7.9 |
| **LESS: CONTRIBUTIONS FOR SOC INSURANCE (Pl of Res)** | 26,970 | 27,099 | 27,356 | 27,948 | 29,367 | 27,343 | 8.9 |
| **PLUS: RESIDENCE ADJUSTMENT** | 285 | 287 | 288 | 290 | 292 | 288 | 4.5 |
| **TOTAL PERSONAL INCOME (Place of Residence)** | 551,107 | 561,581 | 578,709 | 595,029 | 596,840 | 571,607 | 7.7 |

## TOTAL AND PER CAPITA PERSONAL INCOME BY COUNTY, 1987-88

| | TOTAL PERSONAL INCOME | | | | PER CAPITA PERSONAL INCOME | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount, $ Mil | | Annual % Change | | Amount, $ | | Annual % Change | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| California | 491,504 | 531,251 | 8.5 | 8.1 | 17,774 | 18,763 | 5.9 | 5.6 |
| Alameda | 22,757 | 24,717 | 6.1 | 8.6 | 18,627 | 19,916 | 5.0 | 6.9 |
| Alpine | 18 | 20 | 10.3 | 11.8 | 15,282 | 16,920 | 15.1 | 10.7 |
| Amador | 352 | 388 | 11.9 | 10.1 | 13,921 | 14,090 | 5.9 | 1.2 |
| Butte | 2,185 | 2,357 | 8.9 | 7.9 | 12,918 | 13,512 | 6.5 | 4.6 |
| Calaveras | 344 | 372 | 5.4 | 8.1 | 11,601 | 11,917 | -1.0 | 2.7 |
| Colusa | 231 | 248 | 8.2 | 7.6 | 15,519 | 16,158 | 8.0 | 4.1 |
| Contra Costa | 16,091 | 17,607 | 7.5 | 9.4 | 21,601 | 23,011 | 5.3 | 6.5 |
| Del Norte | 205 | 225 | 5.2 | 9.5 | 10,579 | 11,171 | 2.9 | 5.6 |
| El Dorado | 1,780 | 1,957 | 12.3 | 10.0 | 15,620 | 16,137 | 6.7 | 3.3 |
| Fresno | 8,582 | 9,230 | 8.3 | 7.5 | 14,347 | 15,012 | 5.9 | 4.6 |
| Glenn | 340 | 351 | 11.3 | 3.1 | 14,822 | 14,983 | 11.0 | 1.1 |
| Humboldt | 1,580 | 1,680 | 7.3 | 6.4 | 13,844 | 14,454 | 6.2 | 4.4 |
| Imperial | 1,225 | 1,379 | 6.5 | 12.5 | 11,189 | 12,222 | 4.0 | 9.2 |
| Inyo | 254 | 276 | 5.0 | 8.5 | 14,218 | 15,300 | 5.3 | 7.6 |
| Kern | 6,913 | 7,434 | 5.1 | 7.5 | 13,669 | 14,296 | 2.4 | 4.6 |
| Kings | 1,087 | 1,156 | 11.6 | 6.3 | 12,453 | 12,496 | 9.3 | 0.3 |
| Lake | 634 | 675 | 6.0 | 6.5 | 12,629 | 13,121 | 2.9 | 3.9 |
| Lassen | 295 | 315 | 4.6 | 6.8 | 11,107 | 11,584 | -1.8 | 4.3 |
| Los Angeles | 150,640 | 161,368 | 8.5 | 7.1 | 17,761 | 18,790 | 6.6 | 5.8 |
| Madera | 974 | 1,080 | 10.7 | 10.9 | 12,147 | 13,003 | 7.7 | 7.0 |
| Marin | 6,884 | 7,459 | 7.9 | 8.4 | 30,214 | 32,417 | 7.3 | 7.3 |
| Mariposa | 174 | 190 | 3.9 | 9.5 | 12,393 | 13,058 | 1.1 | 5.4 |
| Mendocino | 1,031 | 1,097 | 6.6 | 6.4 | 13,731 | 14,395 | 5.2 | 4.8 |
| Merced | 2,038 | 2,173 | 8.0 | 6.6 | 12,368 | 12,782 | 5.2 | 3.3 |
| Modoc | 119 | 124 | 3.1 | 4.7 | 12,890 | 13,514 | 3.6 | 4.8 |
| Mono | 147 | 169 | 6.8 | 14.7 | 15,873 | 17,772 | 4.8 | 12.0 |
| Monterey | 5,582 | 5,941 | 7.1 | 6.4 | 16,251 | 17,035 | 5.4 | 4.8 |
| Napa | 1,938 | 2,099 | 6.6 | 8.3 | 18,400 | 19,692 | 5.8 | 7.0 |
| Nevada | 1,059 | 1,159 | 10.6 | 9.5 | 14,329 | 14,988 | 5.6 | 4.6 |
| Orange | 47,613 | 51,353 | 9.7 | 7.9 | 21,486 | 22,753 | 7.6 | 5.9 |
| Placer | 2,548 | 2,786 | 8.2 | 9.3 | 17,125 | 17,936 | 3.8 | 4.7 |
| Plumas | 266 | 281 | 7.5 | 5.9 | 13,510 | 13,978 | 5.3 | 3.5 |
| Riverside | 14,590 | 16,083 | 11.8 | 10.2 | 15,833 | 16,325 | 4.8 | 3.1 |
| Sacramento | 15,355 | 16,614 | 9.5 | 8.2 | 16,208 | 17,007 | 5.7 | 4.9 |
| San Benito | 477 | 512 | 9.5 | 7.5 | 14,414 | 14,841 | 5.2 | 3.0 |
| San Bernardino | 17,650 | 19,573 | 12.6 | 10.9 | 14,587 | 15,143 | 6.0 | 3.8 |
| San Diego | 38,075 | 41,661 | 9.0 | 9.4 | 16,654 | 17,576 | 5.1 | 5.5 |
| San Francisco | 16,964 | 18,135 | 5.7 | 6.9 | 23,005 | 24,786 | 5.9 | 7.7 |
| San Joaquin | 6,019 | 6,465 | 7.1 | 7.4 | 13,561 | 14,186 | 3.6 | 4.6 |
| San Luis Obispo | 2,929 | 3,159 | 9.6 | 7.9 | 14,483 | 15,225 | 5.7 | 5.1 |
| San Mateo | 14,969 | 16,240 | 6.7 | 8.5 | 24,109 | 25,846 | 5.7 | 7.2 |
| Santa Barbara | 6,378 | 6,828 | 5.9 | 7.0 | 18,689 | 19,897 | 4.4 | 6.5 |
| Santa Clara | 30,563 | 33,196 | 7.6 | 8.6 | 21,630 | 23,181 | 6.7 | 7.2 |
| Santa Cruz | 3,949 | 4,304 | 9.0 | 9.0 | 17,770 | 18,983 | 6.6 | 6.8 |
| Shasta | 1,856 | 2,018 | 9.8 | 8.7 | 13,678 | 14,439 | 7.2 | 5.6 |
| Sierra | 47 | 50 | 6.3 | 6.8 | 13,757 | 14,184 | 5.2 | 3.1 |
| Siskiyou | 549 | 587 | 7.0 | 7.0 | 12,864 | 13,491 | 5.9 | 4.9 |
| Solano | 4,450 | 4,912 | 9.0 | 10.4 | 14,802 | 15,639 | 4.1 | 5.7 |
| Sonoma | 6,563 | 7,168 | 9.0 | 9.2 | 18,531 | 19,584 | 5.8 | 5.7 |
| Stanislaus | 4,416 | 4,745 | 9.3 | 7.4 | 13,478 | 13,913 | 5.0 | 3.2 |
| Sutter | 824 | 865 | 6.3 | 5.0 | 13,643 | 13,985 | 3.8 | 2.5 |
| Tehama | 524 | 555 | 4.1 | 5.7 | 11,508 | 11,890 | 1.6 | 3.3 |
| Trinity | 152 | 162 | 5.1 | 6.8 | 11,284 | 11,592 | 5.1 | 2.7 |
| Tulare | 3,634 | 3,842 | 7.4 | 5.7 | 12,465 | 12,897 | 5.2 | 3.5 |
| Tuolumne | 576 | 620 | 8.2 | 7.6 | 12,871 | 13,403 | 2.5 | 4.1 |
| Ventura | 11,430 | 12,397 | 10.3 | 8.5 | 18,170 | 19,152 | 7.5 | 5.4 |
| Yolo | 2,092 | 2,260 | 9.0 | 8.0 | 16,416 | 17,166 | 6.3 | 4.6 |
| Yuba | 590 | 633 | 7.6 | 7.4 | 10,642 | 11,195 | 5.4 | 5.2 |

terms of both total and per capita income gains. Among larger counties, Riverside, San Bernardino, Solano and El Dorado rank in the top ten in total income growth. High income Bay Area counties also ranked high in per capita income growth. San Francisco, Marin, San Mateo, Santa Clara and Napa were among the top ten in per capita income growth. On a national scale, California ranked eighth in the nation in per capita income, and Marin's $32,417 figure was second highest of any county in the nation.

**COMMERCE DEPARTMENT REVISIONS OF STATE AND NATIONAL PERSONAL INCOME DATA**

The distortions associated with the PSC (personal service corporation) bonus payments have caused major changes in the U.S. Department of Commerce's method for estimating state personal income. These changes are outlined in the October 1989 and April 1990 issues of the Department's Survey of Current Business.

Until now, the regional income data have been tied to the personal income figures included in the national income accounts (NIPAs). That is, the sum of the states equalled U.S. personal income in the NIPAs, net of certain adjustments, mainly the earnings of U.S. citizens overseas which are not allocated to any state. In 1988, these adjustments amounted to slightly less than $12 billion on a $4 trillion total.

In the NIPAs wage and salary income, as well as partial estimates for other labor income and nonfarm proprietors' income, are developed using ES-202 payroll reports available at the time of the annual July benchmark revisions--that is, up to the fourth quarter of the previous year, in this case 1988. The ES-202 is a byproduct of the payroll tax system, and represents virtually a complete census of employers and employees, and includes data on number of employees and total wages paid, including bonuses. Subsequent monthly and quarterly income estimates are based on the monthly establishment sample used to estimate nonfarm wage and salary employment (the BLS-790 survey).

The survey, however, does not measure wages and salaries directly. Instead, the survey collects data on employment, hourly "earnings" and hours worked. Bonus income is thus excluded from the survey data. In 1988, the current NIPA benchmark year, the relationship between the survey "earnings" and actual payroll wages was distorted by the first full payment of PSC bonuses in 88:IV and unusual but unrelated bonus income in the securities and commodities brokerage category of finance, insurance and real estate. Extrapolation from the bonus-swollen fourth quarter 1988 ES-202 wage figures apparently resulted in a substantial overestimate of U.S. personal income in 1989 and 1990.

Because the survey does not provide sufficient industry detail at the state level, Commerce used the survey only for the most recent two quarters in estimating state income. The full payroll reports were used for prior quarters, but the national total was "forced" to the NIPA figure, with adjustments made only to the largest states. The 1988-89 bonus distortions were so large, however, that the actual payroll figures could no longer be forced into the survey based national total. The state data published by Commerce are now based on the comprehensive payroll reports for all but the most recent quarter, and no effort is made to force the total to the NIPA figure. When the NIPAs are revised in July to incorporate 1989 payroll reports, personal income for the states and the nation will again be comparable for 1989.

This implies that there could be a very substantial downward revision in U.S. personal income in July. The Survey of Current Business indicates the magnitude of the potential revision for 1989 to be in excess of $50 billion or 1.2 percent of total income.

Because it is now clear that the PSC bonus activity is a recurring annual event, Commerce has modified the seasonal factors for services income in its state estimates. The Department of Finance will undertake a similar modification of the seasonals when making its annual revisions (which tie to the annual revisions of the Commerce state income data) in September. This will eliminate the fourth quarter bulge and first quarter drop in services wage and salary income. Since Commerce is no longer forcing its state estimates to the NIPA figure, and is utilizing the full payroll reports on a more current basis, Commerce and Finance income estimates will be more comparable in the future. Finance will still incorporate the payroll data one quarter sooner than Commerce, because the Department has access to preliminary versions of the report. In addition, Finance and Commerce will continue to use different methods to estimate the most recent quarter, for which payroll data are not yet available.

## EMPLOYMENT
(Seasonally Adjusted)

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Apr | Mar | Feb | Jan | Apr | % Change |
| Civilian employment (000) | 13,881 | 13,847 | 13,784 | 13,734 | 13,556 | 2.4 |
| Unemployment (000) | 795 | 766 | 712 | 757 | 756 | 5.3 |
| Unemployment rate | 5.4 | 5.2 | 4.9 | 5.2 | 5.3 | -- |
| Nonagricultural wage and salary employment a/ (000) | 12,967.9 | 12,916.9 | 12,908.2 | 12,881.9 | 12,435.9 | 4.3 |
| Mining | 41.2 | 40.6 | 40.0 | 40.3 | 39.9 | 3.3 |
| Construction | 674.6 | 678.5 | 683.9 | 687.7 | 639.5 | 5.5 |
| Manufacturing | 2,155.2 | 2,158.0 | 2,160.2 | 2,163.2 | 2,162.2 | -0.3 |
| High technology b/ | n.a. | 707.2 | 709.4 | 710.5 | 718.2 | -- |
| Transportation and public utilities | 629.5 | 627.1 | 627.6 | 627.2 | 602.2 | 4.5 |
| Trade | 3,067.5 | 3,055.0 | 3,057.3 | 3,048.2 | 2,956.4 | 3.8 |
| Finance, insurance, and real estate | 866.4 | 866.1 | 864.4 | 860.3 | 817.2 | 6.0 |
| Services | 3,453.2 | 3,432.2 | 3,425.9 | 3,406.3 | 3,235.2 | 6.7 |
| Government | 2,080.3 | 2,059.5 | 2,049.0 | 2,048.8 | 1,983.3 | 4.9 |
| Federal | 377.0 | 358.1 | 355.4 | 357.3 | 359.8 | 4.8 |
| State and local | 1,703.4 | 1,701.3 | 1,693.6 | 1,691.5 | 1,623.5 | 4.9 |

## HOURS AND EARNINGS IN MANUFACTURING

| | 1990 | | | 1989 | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Mar | Feb | Jan | Dec | Mar | % Change |
| Average weekly hours c/ | 40.6 | 40.3 | 40.2 | 41.2 | 41.0 | -1.0 |
| Average weekly earnings c/ | $461.62 | $455.39 | $453.05 | $466.38 | $452.64 | 2.0 |
| Average hourly earnings c/ | $11.37 | $11.30 | $11.27 | $11.32 | $11.04 | 3.0 |

## PRODUCTION

| | 1990 | | | 1989 | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Mar | Feb | Jan | Dec | Mar | % Change |
| Petroleum (000 barrels daily) c/ | n.a. | 965 | 971 | 982 | 1,008 | -- |
| Portland cement (000 short tons) c/ | 948.9 | 773.0 | 839.6 | 831.9 | 932.3 | 1.8 |

## TRADE
(Seasonally Adjusted)

| | 1990 | | | 1989 | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Mar | Feb | Jan | Dec | Mar | % Change |
| Retail sales ($ millions) | 18,886 | 18,468 | 18,592 | 18,179 | 17,425 | 8.4 |
| New auto registrations (number) | 115,297 | 123,923 | 128,840 | 106,539 | 132,706 | -13.1 |

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

## CONSUMER PRICE INDEX
(1982-84 =100)

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Apr | Mar | Feb | Jan | Apr | % Change |
| All Urban Consumers Series | | | | | | |
| California Average | 133.4 | 133.4 | 132.5 | 131.3 | 126.9 | 5.1 |
| San Francisco CMSA | 130.7 | 130.0 | 129.2 | 128.5 | 125.4 | 4.2 |
| Los Angeles CMSA | 134.2 | 134.5 | 133.6 | 132.1 | 127.2 | 5.5 |
| Wage Earners and Clerical Workers Series | | | | | | |
| California Average | 129.9 | 129.9 | 129.1 | 128.0 | 124.0 | 4.8 |
| San Francisco CMSA | 129.8 | 129.0 | 128.2 | 127.6 | 124.8 | 4.0 |
| Los Angeles CMSA | 130.2 | 130.5 | 129.8 | 128.5 | 124.0 | 5.0 |

## CONSTRUCTION

| | 1990 | | | 1989 | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Mar | Feb | Jan | Dec | Mar | % Change |
| Private residential housing units authorized (000) a/ | 204.9 | 230.1 | 253.0 | 260.5 | 238.6 | -14.1 |
| Single units | 125.9 | 138.1 | 156.0 | 164.0 | 162.3 | -22.4 |
| Multiple units | 79.1 | 91.9 | 96.9 | 96.5 | 76.3 | 3.7 |
| Residential building authorized valuation (millions) b/ | $1,933 | $2,159 | $2,492 | $2,517 | $2,307 | -16.2 |
| Nonresidential building authorized valuation (millions) b/ | $1,011 | $1,201 | $1,207 | $1,132 | $1,273 | -20.6 |
| Nonresidential building authorized valuation (millions) c/ | $1,072 | $1,041 | $923 | $1,022 | $1,342 | -20.1 |
| Commercial | $399 | $421 | $390 | $468 | $609 | -34.5 |
| Industrial | 142 | 164 | 102 | 158 | 155 | -8.4 |
| Other | 162 | 125 | 108 | 86 | 142 | 14.1 |
| Alterations and additions | 369 | 330 | 322 | 310 | 435 | -15.2 |

## VACANCY RATES FOR MARCH 1990
(Percent)

| | Office | | | Industrial |
|---|---|---|---|---|
| | Total | Downtown | Suburban | |
| Northern and Central California | | | | 6.6 |
| Oakland-East Bay | 18.8 | 12.2 | 20.5 | |
| Sacramento | 18.2 | 13.0 | 19.9 | |
| San Francisco | 15.5 | 13.6 | 18.3 | |
| San Jose | 14.4 | 20.4 | 12.6 | |
| Southern California | | | | 7.2 |
| Bakersfield | 26.3 | 30.8 | 24.3 | |
| Los Angeles | 15.9 | 12.7 | 16.7 | |
| Orange County | 20.5 | -- | 20.5 | |
| San Diego | 21.6 | 16.6 | 23.0 | |
| Ventura County | 20.3 | -- | 20.3 | |
| National Average | 19.9 | 16.7 | 21.3 | 6.5 |

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

## MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

| 1988 | | 1989 | | | | 1990 | |
|---|---|---|---|---|---|---|---|
| Jul | $174,388 | Jan | $182,859 | Jul | $201,653 | Jan | $194,952 |
| Aug | 174,750 | Feb | 190,197 | Aug | 200,064 | Feb | 197,184 |
| Sep | 177,107 | Mar | 194,697 | Sep | 198,743 | Mar | 196,621 |
| Oct | 178,499 | Apr | 201,952 | Oct | 193,627 | Apr | 197,107 |
| Nov | 181,328 | May | 201,930 | Nov | 193,581 | | |
| Dec | 177,285 | Jun | 200,445 | Dec | 188,184 | | |

## LEADING INDICATORS a/

| | | Manufacturing | | New |
|---|---|---|---|---|
| | | Overtime Hours | Average Weekly Hours | Business Incorporations |
| 1988 | Jul | 3.8 | 40.7 | 4,590 |
| | Aug | 3.9 | 40.7 | 4,961 |
| | Sep | 3.9 | 40.9 | 4,638 |
| | Oct | 3.7 | 40.7 | 4,856 |
| | Nov | 3.6 | 40.5 | 4,746 |
| | Dec | 3.7 | 40.6 | 4,866 |
| 1989 | Jan | 3.8 | 40.7 | 5,536 |
| | Feb | 4.0 | 40.8 | 4,047 |
| | Mar | 3.8 | 40.9 | 4,627 |
| | Apr | 3.9 | 41.1 | 4,314 |
| | May | 3.8 | 40.6 | 5,266 |
| | Jun | 3.8 | 40.6 | 4,253 |
| | Jul | 3.9 | 40.7 | 4,018 |
| | Aug | 3.9 | 40.8 | 4,245 |
| | Sep | 3.9 | 40.5 | 3,799 |
| | Oct | 3.9 | 40.6 | 4,137 |
| | Nov | 3.8 | 40.7 | 4,463 |
| | Dec | 3.9 | 40.6 | 3,882 |
| 1990 | Jan | 3.9 | 40.5 | 5,064 |
| | Feb | 3.8 | 40.4 | 3,736 |
| | Mar | 3.8 | 40.5 | 3,913 |
| | Apr | n.a. | n.a. | 4,184 |

| | | Unemployment Insurance Initial Claims | Housing Unit Authorizations (Thousands) |
|---|---|---|---|
| 1988 | Jul | 53,354 | 235.3 |
| | Aug | 50,032 | 287.7 |
| | Sep | 51,835 | 264.4 |
| | Oct | 48,583 | 283.7 |
| | Nov | 50,568 | 303.0 |
| | Dec | 50,187 | 235.9 |
| 1989 | Jan | 50,928 | 236.5 |
| | Feb | 51,409 | 241.3 |
| | Mar | 52,776 | 238.6 |
| | Apr | 53,309 | 236.4 |
| | May | 53,875 | 258.6 |
| | Jun | 53,742 | 228.4 |
| | Jul | 53,102 | 238.2 |
| | Aug | 54,380 | 219.0 |
| | Sep | 53,651 | 221.4 |
| | Oct | 58,414 | 236.7 |
| | Nov | 52,481 | 235.9 |
| | Dec | 48,722 | 260.5 |
| 1990 | Jan | 56,929 | 253.0 |
| | Feb | 56,162 | 230.1 |
| | Mar | 55,422 | 204.9 |
| | Apr | 57,682 | n.a. |

a/ Seasonally adjusted
n.a. Not available

## COINCIDENT INDICATORS a/

| | | Nonagricultural Employment (Thousands) | Manufacturing Employment (Thousands) | Unemployment Rate (Percent) | Unemployment Avg. Weeks Claimed (Thousands) |
|---|---|---|---|---|---|
| 1988 | Jul | 12,127 | 2,155 | 5.3 | 325 |
| | Aug | 12,171 | 2,154 | 5.5 | 334 |
| | Sep | 12,206 | 2,161 | 5.1 | 317 |
| | Oct | 12,259 | 2,162 | 5.1 | 316 |
| | Nov | 12,311 | 2,166 | 5.3 | 324 |
| | Dec | 12,368 | 2,171 | 4.8 | 300 |
| 1989 | Jan | 12,388 | 2,170 | 5.0 | 327 |
| | Feb | 12,431 | 2,169 | 5.1 | 326 |
| | Mar | 12,471 | 2,173 | 4.6 | 332 |
| | Apr | 12,436 | 2,162 | 5.3 | 325 |
| | May | 12,486 | 2,162 | 5.3 | 324 |
| | Jun | 12,566 | 2,168 | 5.5 | 314 |
| | Jul | 12,585 | 2,163 | 5.2 | 324 |
| | Aug | 12,642 | 2,168 | 4.6 | 332 |
| | Sep | 12,683 | 2,161 | 5.1 | 324 |
| | Oct | 12,697 | 2,152 | 4.9 | 328 |
| | Nov | 12,788 | 2,153 | 5.1 | 341 |
| | Dec | 12,835 | 2,150 | 5.3 | 304 |
| 1990 | Jan | 12,882 | 2,163 | 5.2 | 333 |
| | Feb | 12,908 | 2,160 | 4.9 | 342 |
| | Mar | 12,917 | 2,158 | 5.2 | 350 |
| | Apr | 12,968 | 2,155 | 5.4 | 347 |

| | | Personal Income ($ millions) | Wages & Salaries from Mining, Construction and Manufacturing ($ millions) | Taxable Sales ($ millions) |
|---|---|---|---|---|
| 1988 | Qtr I | 512,471 | 80,407 | 61,268 |
| | Qtr II | 516,809 | 80,123 | 62,064 |
| | Qtr III | 539,311 | 83,622 | 62,875 |
| | Qtr IV | 555,282 | 84,320 | 64,649 |
| 1989 | Qtr I | 551,107 | 85,385 | 65,231 |
| | Qtr II | 561,581 | 85,629 | 67,634 |
| | Qtr III | 578,709 | 86,876 | 69,310 |
| | Qtr IV | 595,029 | 90,408 | n.a. |
| 1990 | Qtr I | 596,840 | 90,570 | n.a. |

## OTHER INDICATORS a/

| | | DOD Prime Contracts ($ millions) | | Electricity Production (Million KWH) | | |
|---|---|---|---|---|---|---|
| 1986 | Qtr I | 6,990 | | 1988 | Jul | 10,951 |
| | Qtr II | 5,847 | Total: c/ | | Aug | 10,692 |
| | Qtr III | 6,395 | | | Sep | 10,436 |
| | Qtr IV | 4,433 | | | Oct | 10,027 |
| 1987 | Qtr I | 5,857 | | | Nov | 10,593 |
| | Qtr II | 6,224 | | | Dec | 10,732 |
| | Qtr III | 7,434 | 24,515 | 1989 | Jan | 10,957 |
| | Qtr IV | 4,148 | | | Feb | 11,807 |
| 1988 | Qtr I | 5,068 | | | Mar | 11,319 |
| | Qtr II | 10,172 | | | Apr | 11,005 |
| | Qtr III | 5,660 | 23,458 | | May | 10,012 |
| | Qtr IV b/ | n.a. | | | Jun | 10,892 |
| 1989 | Qtr I | n.a. | | | Jul | 11,234 |
| | Qtr II | n.a. | | | Aug | 10,928 |
| | Qtr III | 7,190 | 23,125 | | Sep | 11,339 |
| | | | | | Oct | 10,787 |
| | | | | | Nov | 10,894 |
| | | | | | Dec | 10,769 |
| | | | | 1990 | Jan | 10,462 |
| | | | | | Feb | 8,823 |

a/ Seasonally adjusted b/ Not available. See note on next page. c/ U.S. fiscal year: October through September.

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

### TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

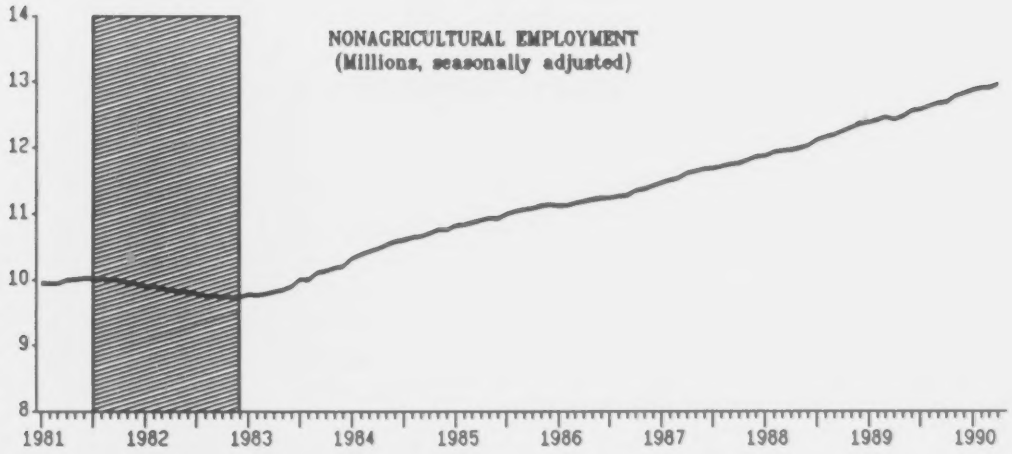
Taxable Sales

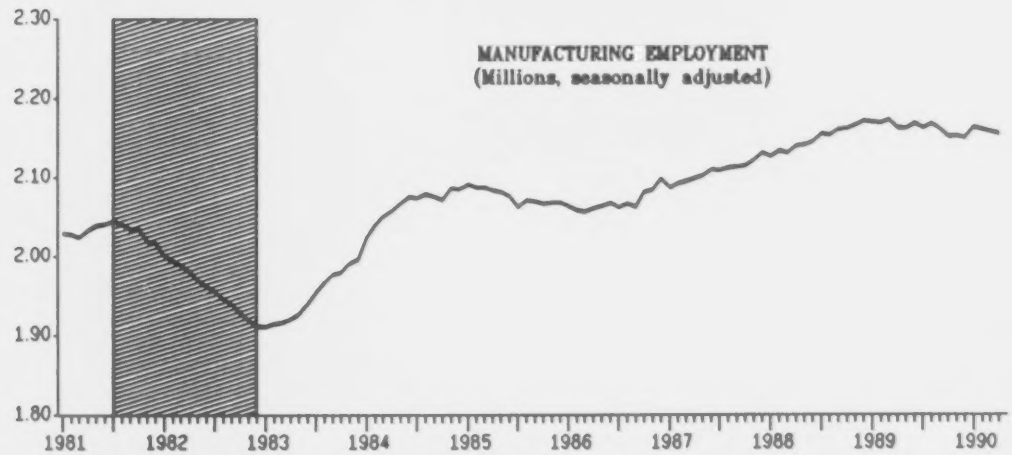
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

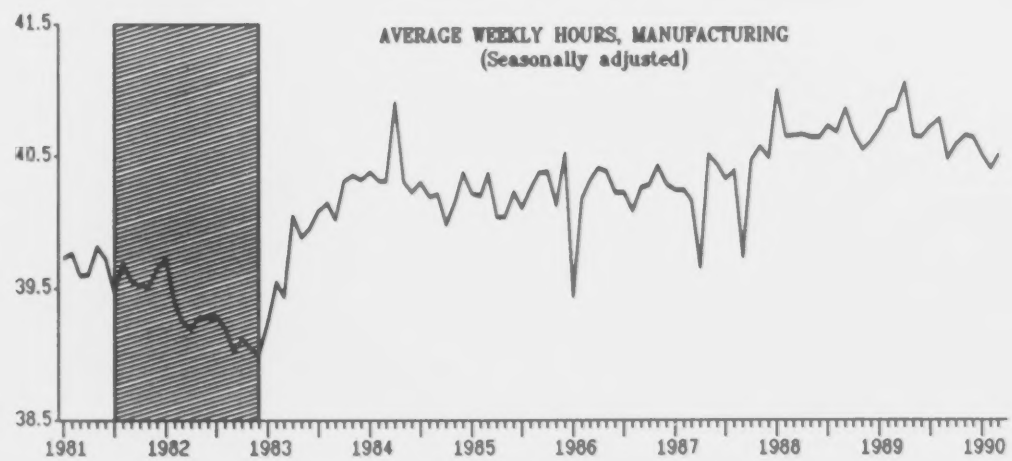
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

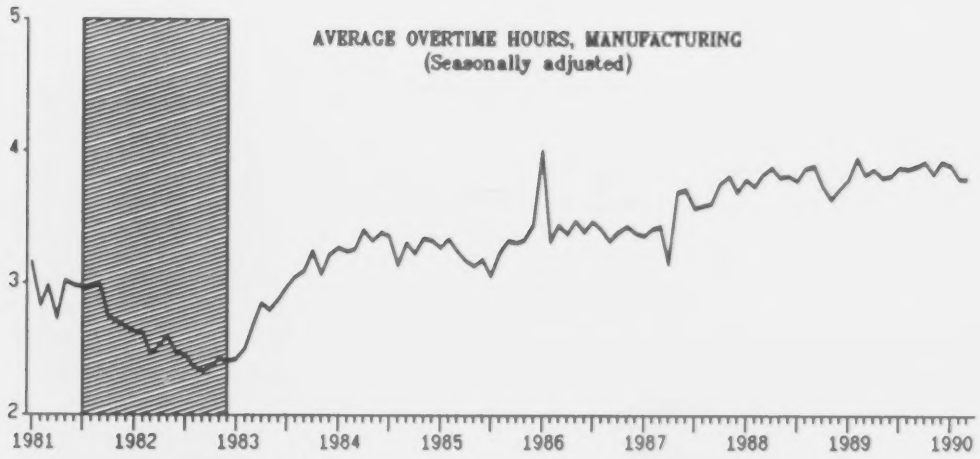
## A NOTE ON PRIME CONTRACT AWARDS

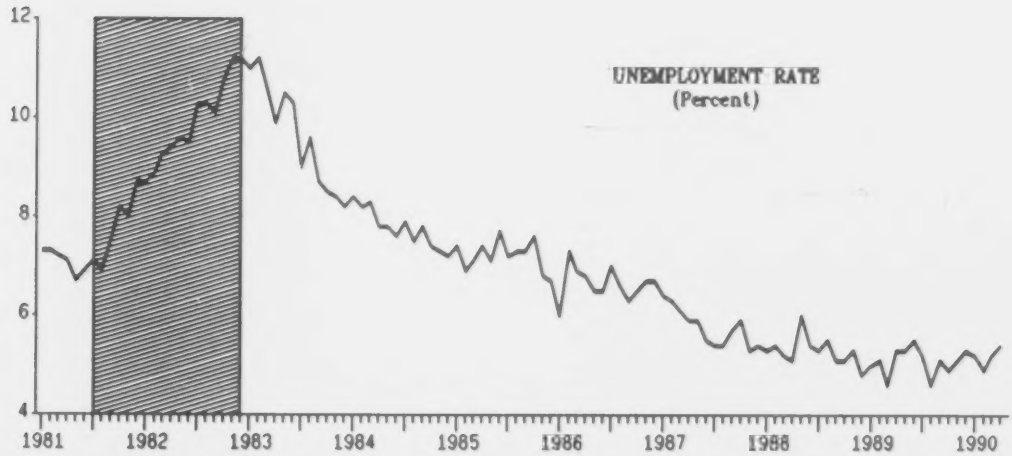
Due to a change in the collection of data, the U.S. Department of Defense will not be publishing Prime Contract Awards by State for the first half of U.S. fiscal years 1989 and 1990. The publication will be resumed in 1991. Since the first-half data are necessary for deriving the quarterly series, the graph will be temporarily discontinued. In the Economic Data section, we will provide fiscal year totals and quarterly updates whenever available.

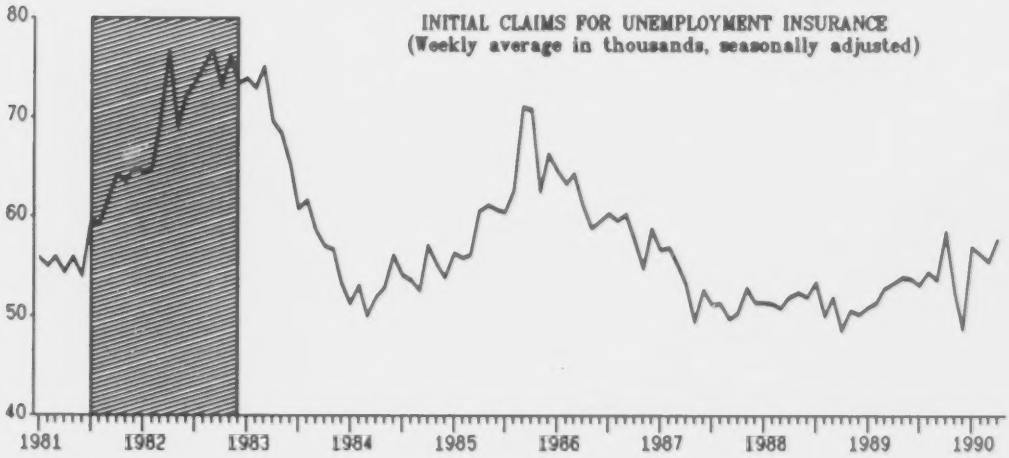

NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)
14
13
12
11
10
9
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

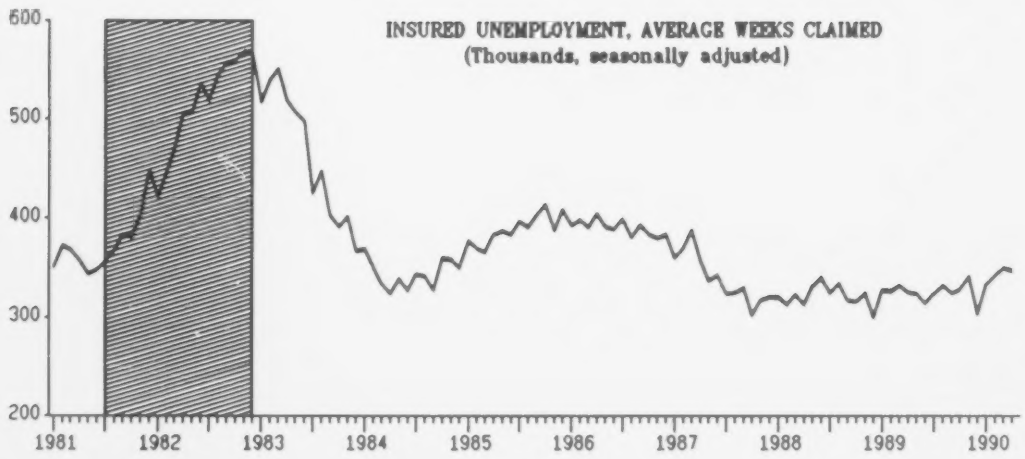

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

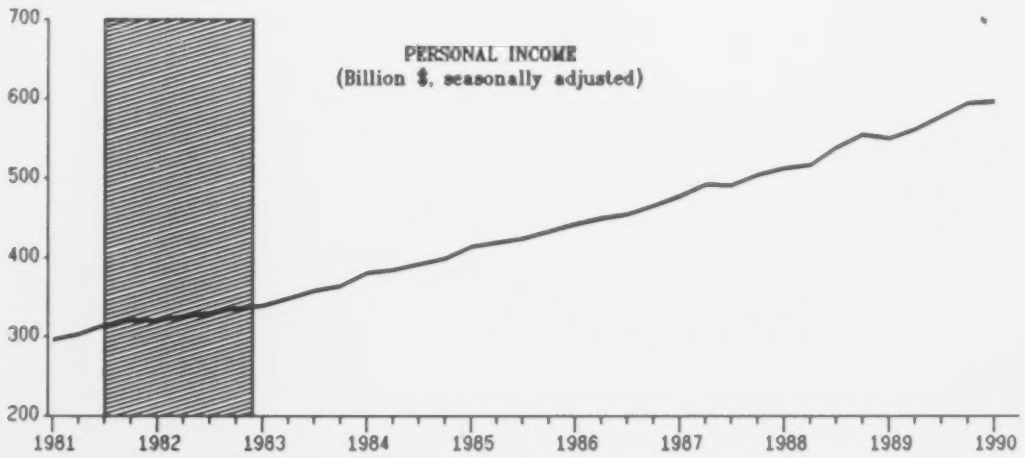

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

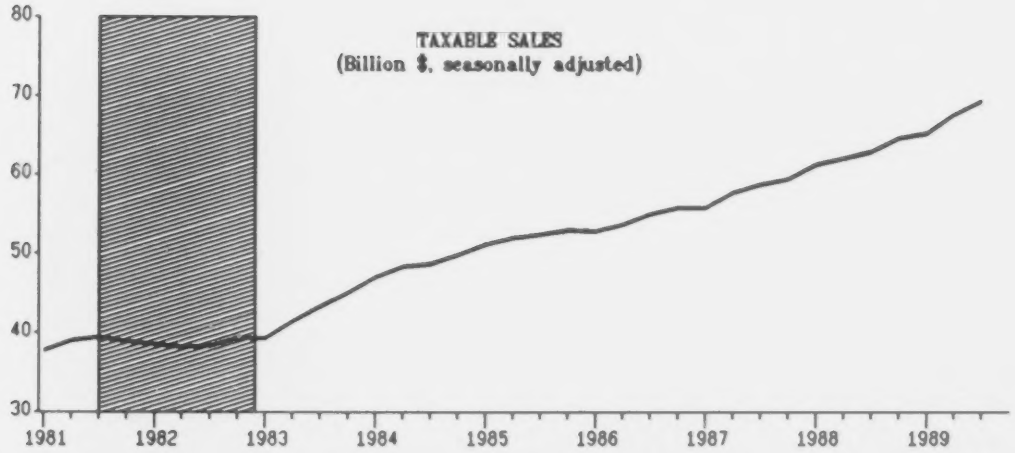

UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

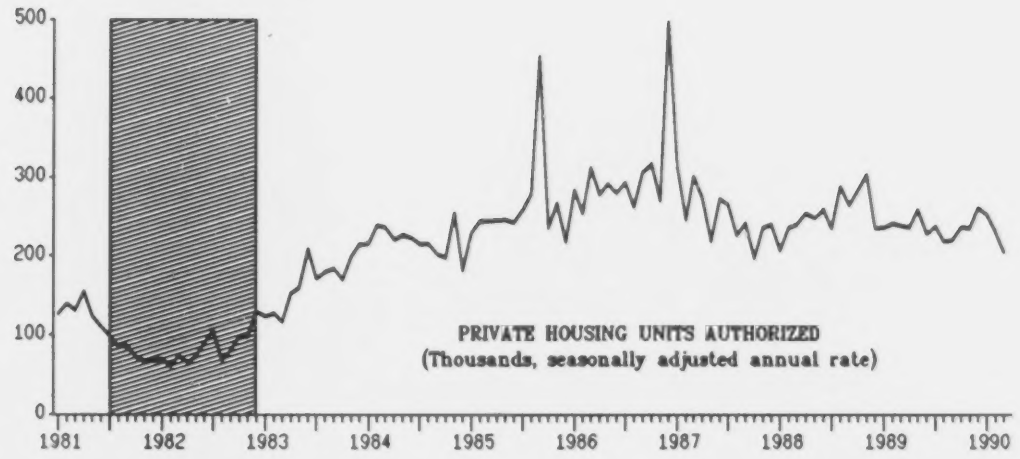

PERSONAL INCOME
(Billion $, seasonally adjusted)
700
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

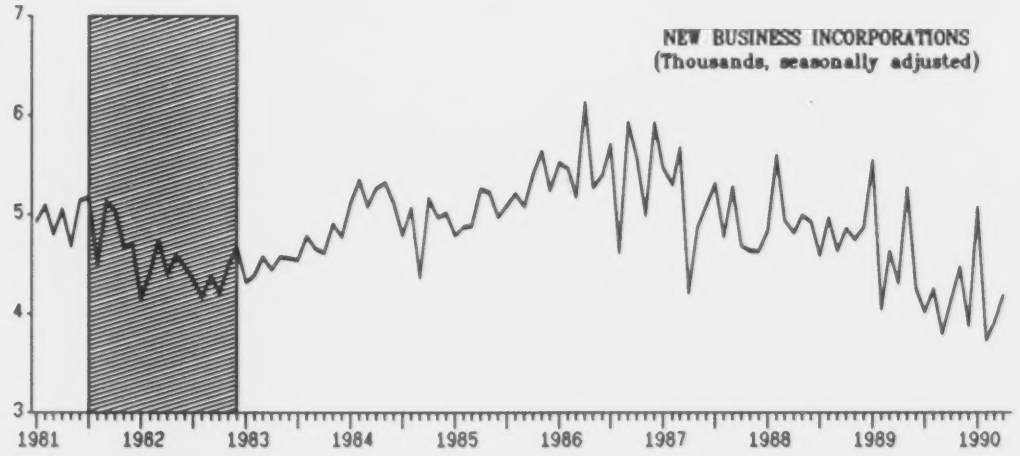
WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

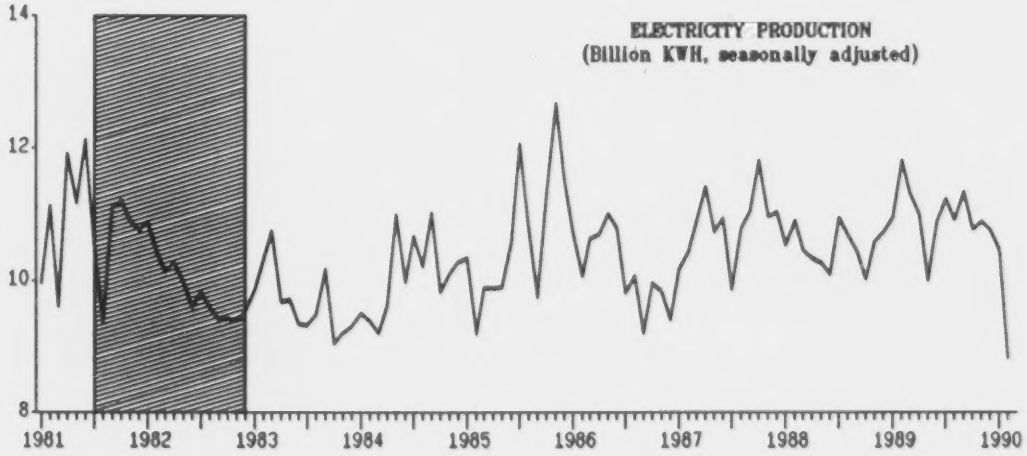

TAXABLE SALES
(Billion $, seasonally adjusted)
80
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989

CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


500
400
300
200
100
0
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


7
6
5
4
3
NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


14
12
10
8
ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

### 1980

| | |
|---|---|
| February 25 | Prime rate raised to 16-1/2 percent. |
| February 27 | Ceilings on interest rates for government backed mortgages raised to 13 percent. |
| February 29 | Prime rate raised to 16-3/4 percent. |
| March 4 | Prime rate raised to 17-1/4 percent. |
| March 7 | Prime rate raised to 17-3/4 percent. |
| March 13 | Prime rate raised to 18-1/4 percent. |
| March 14 | Announcement of tighter fiscal policies. |
| March 17 | Three percent discount rate surcharge imposed. |
| March 18 | Prime rate raised to 19 percent. |
| April 2 | Prime rate raised to 20 percent. |
| April 3 | FHA mortgages raised to 14 percent. |
| April 20 | Prime rate reduced to 19-1/2 percent. |
| April 28 | FHA mortgages reduced to 13 percent. |

### 1980--continued

| | |
|---|---|
| April 28 | Prime rate reduced to 18-1/2 percent. |
| May 5 | Prime rate reduced to 18 percent. |
| May 7 | Prime rate reduced to 17 percent. |
| May 8 | Discount rate surcharge reimposed. |
| May 12 | Prime rate reduced to 16-1/2 percent. |
| May 19 | Prime rate reduced to 16 percent. |
| May 28 | Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent. |
| June 25 | Carpenters strike in Northern California ended. |
| July 3 | ICC begins trucking industry deregulation. |
| July 21-Oct. 23 | Motion picture and television industry strike. |
| July 22 | Prime rate reduced to 11 percent. |
| July 25 | Prime rate reduced to 10-3/4 percent. |

## CHRONOLOGY--Continued

1980--continued

| | |
|---|---|
| July 28 | Discount rate reduced to 10 percent. |
| August 5 | Prime rate raised to 11 percent. |
| August 27 | Prime rate raised to 11-1/2 percent. |
| September 5 | FHA mortgage interest rate raised from 11-1/2 to 12 percent. |
| September 12 | California morgage rate raised from 13-1/2 percent to 13-3/4 percent. |
| September 25-Nov. 14 | Pacific Southwest Airlines (PSA) pilots strike begins. |
| September 26 | Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent. |
| October 2 | Prime raised from 13 to 13-1/2 percent. |
| October 3 | Prime raised to 14 percent. |
| October 15 | AFTA workers return to work. |
| October 30 | Prime raised from 14 to 14-1/2 percent. |
| November 7 | Prime raised from 14-1/2 to 15-1/2 percent. |
| November 17 | Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed. |
| November 21 | Prime raised to 17 percent. |
| November 28 | Prime raised to 17-3/4 percent. |

1980--continued

| | |
|---|---|
| December 3 | Prime raised from 17-3/4 to 18-1/2 percent. |
| December 5 | Discount rate raised from 12 to 13 percent. Prime raised to 19 percent. |
| December 11 | Prime raised to 20 percent. |
| December 17 | Prime raised from 20 to 21 percent. |
| December 23 | Prime lowered from 21 to 20-1/2 percent. |

**1981**

| | |
|---|---|
| January 1 | Minimum wage raised from $3.10 to $3.35. |
| January 6 | Prime lowered to 20 percent. |
| January 20 | American hostages released from Iran. |
| January 20 | Ronald Reagan inaugurated as 40th President of the U.S. |
| January 28 | Deregulation of oil and gas industry announced, effective immediately. |
| January 29 | Prime rate lowered to 19-1/2 percent from 20 percent. |
| February 16 | General Motors and Ford rebate plans announced. |
| February 23 | Prime rate lowered to 18 percent. |
| March 2 | Prime rate lowered to 18-1/2 percent. |
| March 10 | Prime rate lowered to 18 percent. |
| March 16 | Prime rate lowered to 17-1/2 percent. |

## CHRONOLOGY--Continued

1981--Continued

| | |
|---|---|
| March 18 | Prime rate lowered to 17 percent. |
| March 26-June 8 | United mine workers strike. |
| April 13 | Prime rate raised to 17-1/2 percent. |
| April 29 | Prime rate raised to 18 percent. |
| May 4 | Prime rate raised to 19 percent. |
| May 5 | Discount rate raised from 13 percent to 14 percent. |
| May 8 | FHA-VA rate up to 15-1/2 percent from 14-1/2 percent. |
| May 11 | Prime rate raised to 19-1/2 percent. |
| May 22 | Prime rate raised to 20 percent. |
| May 27 | OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level. |
| June 5 | Dollar reaches highest level in international trading since December 1971. |
| July 8 | Prime rate raised to 20-1/2 percent. |
| August 3-Jan. 17, 1986 | Professional Air Traffic Controller's Organization strike. |
| August 14 | President Reagan signs both the tax- and budget-cut bills into law. |
| August 18 | FHA-VA rate up to 16-1/2 percent from 15-1/2 percent. |

1981--Continued

| | |
|---|---|
| September 1 | Prime rate lowered to 20 percent. |
| September 21 | Prime rate lowered to 19-1/2 percent. |
| September 22 | Fed surcharge cut to 3 percent from 4 percent. |
| October | Introduction of All Savers Certificates to stimulate savings. |
| October 6 | Prime rate lowered to 19 percent. |
| | Egyptian President Sadat assassinated. |
| October 13 | Prime rate lowered to 18 percent. |
| October 30 | OPEC price set at $34.00/barrel--the Saudi benchmark. |
| November 1 | Passbook interest rate raised 1/2 percent to 5-3/4 percent. |
| November 2 | Fed discount rate cut from 14 percent to 13 percent. |
| | Prime rate lowered to 17-1/2 percent. |
| November 10 | Prime rate lowered to 17 percent. |
| November 13 | Prime rate lowered to 16-1/2 percent. |
| | FHA mortgage rate lowered to 15-1/2 percent. |
| November 16 | Prime rate lowered to 16 percent. |

CHRONOLOGY--Continued

1981--continued

November 17 — Fed eliminates 2 percent surcharge. Discount rate unaffected.

December 1 — Prime rate lowered to 15-1/2 percent.

December 4 — Fed discount rate lowered from 13 percent to 12 percent.

December 12 — Martial law imposed in Poland.

1982

January 22 — Federal funds rate raised to 13-1/2 percent.

January 25 — FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.

February 2 — Prime rate raised to 16-1/2 percent by Citibank and Crocker.

February 18 — Prime rate increased to 17 percent.

February 24 — Prime rate cut to 16-1/2 percent.

March 1 — Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.

March 8 — Prime rate lowered to 16 percent.

March 16 — Prime rate back up to 16-1/2 percent.

April 1 — OPEC cuts production to 17.5 million barrels from current

1982--continued

18.2. Saudi bench mark set at $34/barrels.

April 5 — Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.

April 12 — General Motor and United Auto Workers labor agreement approved.

April 26 — The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.

May 7 — U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

May 13 — Braniff Air Lines ceases operation.

June 25 — Secretary of State Alexander Haig resigns.

June 28 — U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.

July 20 — Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

July 27 — Prime rate lowered to 15-1/2 percent.

August 2 — Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.

August 9 — Unemployment rate reached 9.8 percent in July--the

## CHRONOLOGY--Continued

1982--Continued

| | |
|---|---|
| | highest level since a 9.9 percent rate in 1941. |
| August 16 | Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent. |
| August 18 | Dow Jones Industrial Average rose 38.81 points--an all-time record. |
| August 19 | The stock market trading soared to a record 132,690,000 shares. |
| August 27 | Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent. |
| November 23 | Prime rate lowered from 12 percent to 11-1/2 percent. |
| December 13 | Discount rate cut to 8-1/2 percent. |
| December 14 | Introduction of money market deposit accounts by banks and S&Ls. |

1983

| | |
|---|---|
| January 5 | Super NOW accounts introduced. |
| January 11 | Prime rate lowered to 11 percent. |
| January 31 | Independent truckers strike begins. |
| February 10 | Independent truckers strike ends. |
| February 15 | Toyota/GM agreement to build a small car in late 1984. |

1983--Continued

| | |
|---|---|
| February 25 | Prime rate lowered to 10-1/2 percent. |
| March 14 | OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels. |
| May 2 | An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California. |
| June 8 | The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent. |
| June 18 | Paul Volcker reappointed as Federal Reserve Board Chairman. |
| June 24 | The Federal Budget deficit totalled a record $29.29 billion in May. |
| July 7 | The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent. |
| July 13 | Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due. |
| July 25 | The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history. |
| August 1 | California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong |

**CHRONOLOGY--Continued**

1983--Continued

| | |
|---|---|
| | investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed. |
| August 2 | The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent. |
| August 7-August 28 | The Communications Workers of America and two other unions strike AT&T. |
| August 8 | Prime rate raised from 10-1/2 percent to 11 percent by most major banks. |
| August 23 | The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent. |
| September 1 | Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan. |
| November 1 | Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent. |
| November 3-December 21 | Strike against Greyhound Lines Inc. |
| December 1 | FHA mortgage interest rates begin to float. VA rates are still pegged. |

1984

| | |
|---|---|
| January 3 | Breakup of AT&T becomes effective. |
| February 2 | Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions. |

1984--Continued

| | |
|---|---|
| March 19 | Prime rate raised from 11 percent to 11-1/2 percent. |
| March 20 | Maximum rate on VA loans raised from 12-1/2 to 13 percent. |
| April 4 | Prime rate raised from 11-1/2 percent to 12 percent. |
| April 9 | Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years. |
| May 5 | Prime rate raised from 12 percent to 12-1/2 percent. |
| June 26 | Prime rate raised from 12-1/2 percent to 13 percent. |
| September 3 - December 7 | Hotel and restaurant strike - San Francisco. |
| September 15-October 14 | UAW-General Motors strike. |
| September 28 | Prime rate reduced from 13 percent to 12-3/4 percent. |
| October 16 | Prime rate reduced from 12-3/4 percent to 12-1/2 percent. |
| October 28 | Prime rate reduced from 12-1/2 percent to 12 percent. |
| November 7 | Prime rate reduced from 12 percent to 11-3/4 percent. |
| November 21 | Discount rate reduced from 9 percent to 8-1/2 percent. |
| November 28 | Prime rate reduced from 11-3/4 percent to 11-1/4 percent. |
| December 17 | Prime rate reduced from 11-1/4 percent to 10-3/4 percent. |

## CHRONOLOGY--Continued

1984--Continued

| | |
|---|---|
| December 24 | Discount rate reduced from 8-1/2 percent to 8 percent. |

### 1985

| | |
|---|---|
| January 1 | Federal price controls removed from approximately half of the natural gas produced in the United States. |
| January 15 | Prime rate reduced from 10-3/4 percent to 10-1/2 percent. |
| March 9 | Home State Savings Bank Cincinnati, Ohio closed. |
| March 15 | Seventy Ohio thrift institutions closed to prevent run on deposits. |
| March 25 | Maximum rate on VA loans raised from 12-1/2 percent to 13 percent. |
| May 2 | Auto manufacturer's initiate low interest loan programs. |
| May 17-June 14 | United Airlines--Air Pilots Association strike. |
| May 17 | Prime rate reduced from 10-1/2 percent to 10 percent. |
| May 20 | Dow Jones Industrials close above 1,300 for the first time. |
| May 29 | Presidents' tax reform plan unveiled. |
| June 18 | Prime rate reduced to 9-1/2 percent from 10 percent. |
| July 16 | Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979. |

1985--Continued

| | |
|---|---|
| July 22-October 16 | 8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years. |
| August 15 | GM announces 7.7 percent financing rate program to run through October 2nd. |
| August 20 | Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos. |
| September 4 | The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio. |
| September 15 | A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect. |
| September 16 | Saudi Arabia announces plans to boost oil production and cut prices. |
| September 22 | G-5 agreement to push the dollar lower. |
| November 7 | Dow Jones Industrials close above 1400 for the first time. |
| December 10 | World oil prices fall by more than a dollar after OPEC decides to abandon price supports. |
| December 12 | President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991. |

## CHRONOLOGY--Continued

1985--Continued

| | |
|---|---|
| December 23 | President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System. |

**1986**

| | |
|---|---|
| January 1 | Ceiling on Super NOW accounts was removed. |
| January 17 | United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history. |
| January 28 | Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died. |
| February 26 | Corazon Aquino takes over Phillipines as the new president. |
| March 3 | Dow Jones Industrials close above 1700 for the first time. |
| March 4 | Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years. |
| | Oil prices fall to $12 per barrel. |
| March 7 | The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan. |
| March 10 | Prime rate cut to 9 percent from 9-1/2 percent. |
| March 21 | Dow Jones Industrials close above 1800 for the first time. |
| | Conservative Chirac appointed as Prime Minister of France. |

1986--Continued

| | |
|---|---|
| March 25 | U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra. |
| April 1 | Interest ceilings on passbook saving accounts ended. |
| | Oil prices fall to under $11 per barrel. |
| April 14 | U.S. air strike against Libya. |
| April 21 | U.S. Dollar reaches a post-WWII low against the Yen at 168.60. |
| | Discount rate cut from 7 percent to 6-1/2 percent. |
| | Prime rate cut to 8-1/2 percent from 9 percent. |
| April 23 | Paul Volcker warns of public and private debt buildup as a threat to the economy. |
| April 25 | Soviet nuclear plant at Chernobyl destroyed by fire. |
| May 12 | U.S. dollar falls to 159.95 Yen. |
| May 22 | U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada. |
| June 1-June 26 | CWA strike at AT&T. |
| July 7 | The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional. |

## CHRONOLOGY--Continued

1986--Continued

| | |
|---|---|
| July 7 | The Dow Jones Industrial average was down a record 61.87 points. |
| July 10 | The Fed lowered the discount rate from 6-1/2% to 6%. |
| July 11 | Prime rate cut to 8 percent from 8-1/2 percent. |
| July 20 | Prime rate cut to 7-1/2 percent. |
| August 1 | United steelworkers strike for the first time since 1959. 44,000 workers were involved. |
| August 20 | The discount rate was reduced from 6 percent to 5-1/2 percent. |
| August 27 | The prime rate was cut to 7-1/2 percent from 8 percent. |
| August 28 | General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent. |
| September 4 | Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17. |
| September 5 | California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income. |
| September 11 | The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89. |

1986--Continued

| | |
|---|---|
| October 22 | President Reagan signs the tax reform bill into law, the first full scale remodification since 1954. |
| October 27-December 13 | Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike |
| November 1 | The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only. |

1987

| | |
|---|---|
| January 1 | California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction. |
| | Fannie Mae raises mortgage ceiling to $153,100 from $133,250. |
| | OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel. |
| January 8 | The Dow Jones Industrial average topped the 2000 mark. |
| January 19 | The Dow Jones Industrial average topped the 2100 mark. |
| | The California Trade Office opened in Tokyo. |
| | The dollar fell to a record low against the yen--150.49 yen to the dollar. |

## CHRONOLOGY--Continued

1987--Continued

| | |
|---|---|
| January 22 | The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67. |
| February 5 | Brazil suspends interest payments on commercial debt. |
| | The Dow Jones Industrial average topped the 2200 mark. |
| March 5 | Ecuador is rocked by severe earthquake. |
| March 16 | Fannie Mae announces it will not enter home equity loan market. |
| March 20 | The Dow Jones Industrial average topped the 2300 mark. |
| March 24 | U.S. dollar falls to post WW II low--148.5 yen,to the dollar. |
| April 1 | The prime rate increased from 7-1/2 to 7-3/4 percent. |
| April 6 | The Dow Jones Industrial average topped the 2400 mark. |
| April 13 | The California Trade Office opened in London. |
| May 1 | The prime rate was increased from 7-3/4 percent to 8 percent. |
| May 5 | Immigration amnesty program in effect. |
| May 7 | The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury. |

1987--Continued

| | |
|---|---|
| May 15 | The prime rate was increased to 8-1/4 percent from 8 percent. |
| May 17 | The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf. |
| June 1 | Penalties in place for employers of illegal aliens. |
| July 17 | Dow Jones Industrials close over 2,500 for the first time. |
| July 22 | Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf. |
| August 10 | Dow Jones index closes over 2,600 for 1st time. |
| August 11 | Alan Greenspan sworn in as Chairman of the Federal Reserve Board. |
| August 17 | Dow Jones index closes over 2,700 for 1st time. |
| September 4 | Discount rate raised from 5-1/2 percent to 6 percent. |
| | Prime rate raised from 8-1/4 percent to 8-3/4 percent. |
| October 1 | Severe earthquake hits Southern California. Epicenter near Whittier. |
| October 7 | Prime rate raised from 8-3/4 percent to 9-1/4 percent. |
| October 14 | Dow Jones Industrials fall a record 95 points. |
| October 15 | Dow Jones Industrials down 58 points. |
| October 16 | Dow Jones Industrials down a record 108 points. |

## CHRONOLOGY--Continued

1987--Continued

| | |
|---|---|
| October 19 | Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points. |
| October 21 | Dow up a record 187 points. |
| October 22 | Prime rate cut to 9 percent from 9-1/4 percent. |
| November 2 | Dollar falls to 40 year low of 136.95 Yen. |
| November 5 | Prime rate cut to 8-3/4 percent from 9 percent. |
| November 23-November 24 | Severe earthquakes hit Imperial County. |
| November 30 | Dollar hits postwar lows against Yen and Mark. |

1988

| | |
|---|---|
| February 3 | Prime rate cut to 8.5 percent from 8.75 percent. |
| March 7-August 7 | Television writers strike. |
| May 12 | Prime rate raised from 8.5 percent to 9 percent. |
| July 1 | California's minimum wage raised from $3.35 to $4.25. |
| July 3 | U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf. |
| July 14 | Prime rate raised from 9 percent to 9-1/2 percent. |
| August 9 | Discount rate raised from 6 percent to 6-1/2 percent. |

1988--Continued

| | |
|---|---|
| August 11 | Prime rate raised from 9-1/2 percent to 10 percent. |
| November 28 | Prime rate raised from 10 percent to 10-1/2 percent. |
| December 8 | Severe earthquake hits Soviet Armenia; death toll more than 100,000. |
| December 21 | Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash. |

1989

| | |
|---|---|
| February 10 | Prime rate raised from 10-1/2 percent to 11 percent. |
| February 24 | Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent. |
| March 4 | International Association of Machinists strike against Eastern Airlines. |
| March 24 | Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil. |
| June 5 | Prime rate cut from 11-1/2 percent to 11 percent. |
| July 10 | Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent. |
| July 19 | DC-10 crashes at Sioux City; hydraulic systems failure cited as cause. |
| July 31 | Most major banks cut prime rate to 10-1/2 percent. |

## CHRONOLOGY--Continued

1989--Continued

| | |
|---|---|
| September 21 | Hurricane Hugo hits the Carolinas causing extensive property damage. |
| October 4-November 20 | International Association of Machinists strike Boeing. |
| October 17 | Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area. |
| November 30 | October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989. |

1990

| | |
|---|---|
| January 8 | Prime rate cut from 10-1/2 percent to 10 percent. |
| January 15 | Campeau Corp. files for Chapter 11 bankruptcy-law protection. |
| February 13 | Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection. |
| March 2 | Amalgamated Transit Union strikes Greyhound Lines, Inc. |
| April 1 | Federal minimum wage raised from $3.35 to $3.80. |

## REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

| Initial Trough | | Peak | | Terminal Trough | | Expansion (months) | Contraction (months) | Total (months) |
|---|---|---|---|---|---|---|---|---|
| Dec. | 1854 | June | 1857 | Dec | 1858 | 30 | 18 | 48 |
| Dec. | 1858 | Oct. | 1860 | June | 1861 | 22 | 8 | 30 |
| June | 1861 | April | 1865 | Dec. | 1867 | 46 | 32 | 78 |
| Dec. | 1867 | June | 1869 | Dec. | 1870 | 18 | 18 | 36 |
| Dec. | 1870 | Oct. | 1873 | March | 1879 | 34 | 65 | 99 |
| March | 1879 | March | 1882 | May | 1885 | 36 | 38 | 74 |
| May | 1885 | March | 1887 | April | 1888 | 22 | 13 | 35 |
| April | 1888 | July | 1890 | May | 1891 | 27 | 10 | 37 |
| May | 1891 | Jan. | 1893 | June | 1894 | 20 | 17 | 37 |
| June | 1894 | Dec. | 1895 | June | 1897 | 18 | 18 | 36 |
| June | 1897 | June | 1899 | Dec. | 1900 | 24 | 18 | 42 |
| Dec. | 1900 | Sept. | 1902 | Aug. | 1904 | 21 | 23 | 44 |
| Aug. | 1904 | May | 1907 | June | 1908 | 33 | 13 | 46 |
| June | 1908 | Jan. | 1910 | Jan. | 1912 | 19 | 24 | 43 |
| Jan. | 1912 | Jan. | 1913 | Dec. | 1914 | 12 | 23 | 35 |
| Dec. | 1914 | Aug. | 1918 | March | 1919 | 44 | 7 | 51 |
| March | 1919 | Jan. | 1920 | July | 1921 | 10 | 18 | 28 |
| July | 1921 | May | 1923 | July | 1924 | 22 | 14 | 36 |
| July | 1924 | Oct. | 1926 | Nov. | 1927 | 27 | 13 | 40 |
| Nov. | 1927 | Aug. | 1929 | March | 1933 | 21 | 43 | 64 |
| March | 1933 | May | 1937 | June | 1938 | 50 | 13 | 63 |
| June | 1938 | Feb. | 1945 | Oct. | 1945 | 80 | 8 | 88 |
| Oct. | 1945 | Nov. | 1948 | Oct. | 1949 | 37 | 11 | 48 |
| Oct. | 1949 | July | 1953 | May | 1954 | 45 | 10 | 55 |
| May | 1954 | Aug. | 1957 | April | 1958 | 39 | 8 | 47 |
| April | 1958 | April | 1960 | Feb. | 1961 | 24 | 10 | 34 |
| Feb. | 1961 | Dec. | 1969 | Nov. | 1970 | 106 | 11 | 117 |
| Nov. | 1970 | Nov. | 1973 | March | 1975 | 36 | 16 | 52 |
| March | 1975 | Jan. | 1980 | July | 1980 | 58 | 6 | 64 |
| July | 1980 | July | 1981 | Nov. | 1982 | 12 | 16 | 28 |

## SOURCES OF STATISTICAL SERIES

| | |
|---|---|
| Employment Development Department<br>Employment Data and Research | Civilian employment<br>Unemployment<br>Unemployment rate<br>Hours and earnings<br>Initial claims for unemployment insurance<br>Insured unemployment, average weeks claimed |
| Department of Industrial Relations<br>Division of Labor Statistics and Research | California consumer price index |
| Department of Finance | Personal income<br>Wages and salaries<br>Nonagricultural employment<br>Manufacturing employment |
| Department of Motor Vehicles | New auto registrations |
| State Board of Equalization | Taxable sales |
| U.S. Department of Commerce | Retail sales<br>Housing units authorized<br>Construction valuation |
| U.S. Bureau of Labor Statistics | Consumer price indices |
| U.S. Department of Energy | Electricity production |
| U.S. Department of Defense | Prime defense contracts |
| Conservation Committee of California Oil Producers | Petroleum production |
| U.S. Bureau of Mines | Cement production |
| California Secretary of State | New business incorporations |
| Coldwell Banker | Vacancy rates |
| California Association of Realtors | Existing family home data |
| Construction Industry Research Board | Housing units authorized<br>Construction valuation |

S0840-1-P A

# CALIFORNIA ECONOMIC INDICATORS

## July/August 1990

DEPARTMENT OF FINANCE

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## INTRODUCTION

*California Economic Indicators* is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

| Beginning Subscription Date | Prorated Amount Due |
|---|---|
| January | $8.00 |
| March | 6.75 |
| May | 5.40 |
| July | 4.05 |
| September | 2.70 |
| November | 1.35 |

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## REVIEW OF ECONOMIC DEVELOPMENTS

There are unmistakable signs of a slowing in the pace of California economic growth. The state's economy continues to advance, but the rate of increase is considerably less than it was just a few months ago. Non-agricultural wage and salary employment, for example, was up 3.3 percent over the year earlier level in June, compared to annual gains of 4 percent or more in the first quarter of 1990. The wage and salary data reported here are from the Department of Finance's interim employment estimates, benchmarked to actual payroll records through the fourth quarter of 1989.

During the first half of 1990, the state added about 125,000 new jobs, fully one quarter of the nation's 500,000 gain. Thus, the state continues to outperform the nation by a considerable margin. However, like the nation, much of California's increase occurred during the first two months of the year, while the last four months have seen only modest job gains. Since February, California has added 50,000 jobs, of which only 10,000 were in the private sector. Most of the remaining 40,000 increase reflects temporary Census takers.

**CALIF. HIGH TECH EMPLOYMENT**
**June 1990 in Thousands**

| | June Number | % Chg June 89 |
|---|---|---|
| Computers | 102.5 | 0.2 |
| Communication Equip. | 32.1 | -0.3 |
| Elec. Components | 143.1 | -1.4 |
| Measure/Control Instr. | 71.4 | -2.9 |
| Total Electronics | 349.1 | -1.2 |
| Aircraft | 168.5 | 1.8 |
| Missiles & Space | 77.5 | -4.8 |
| Search/Navigation Instr | 106.3 | -8.5 |
| Total Aerospace | 352.3 | -3.0 |
| Total High Technology | 701.4 | -2.1 |

Interim Employment Series-89:IV Benchmark

Manufacturing and construction have been areas of weakness in recent months. Factory employment has declined by 30,000 in the past year, with half of the job losses in the high technology aerospace and electronics industries. All high technology industries except computers and aircraft are now reporting year to year declines in employment. Search and navigation instruments have accounted for about half the decline in high tech employment, with missiles and space vehicles and electronic components sharing most of the remaining dropoff. Yet to be reflected in these data are more than 20,000 layoffs announced earlier this year by major aircraft manufacturers. Industry sources indicate that these reductions will show up in payrolls before year end.

Construction employment remained strong over the winter months, partly due to earthquake rebuilding but also reflecting the state's unusually mild, dry winter weather. More recently, however, cutbacks in homebuilding and commercial construction are being reflected in a softening in the number of building jobs. The drop in new home construction has been particularly noticeable, with permit volume falling from an annual rate of 253,000 in January to 178,000 in May, according to data provided by the Construction Industry Research Board. The dropoff apparently reflects bulging inventories of unsold new houses in many parts of the Los Angeles and San Francisco Bay regions. To sell the homes, many builders are offering incentives such as below market mortgage finance, decorating allowances, extra built-ins and "upgrades" and even, in some cases, new cars. Industry observers estimate that such incentives now average 10 percent of the sales price of new houses in the Los Angeles region.

The slowdown in home sales continues in the resale market as well. June sales volumes were off over 10 percent from the year ago level, while the inventory of unsold homes offered in the market hit an 11.2 month supply--nearly three times the turnover rate seen at the peak of the housing boom two years ago. Sales volumes have been maintained only in the Central Valley, Southern California deserts and areas

north of the Bay region.

The median price of existing homes was down from the year ago level in June for the third month in a row. The 2.5 percent drop reflected price declines in most of the heavily populated coastal metropolitan areas, coupled with the continuing shift of sales activity into the lower priced inland regions of the state. However, prices in these inland areas continue to rise rapidly. Home prices in the Central Valley rose 25 percent over the year, including a 30 percent jump in Sacramento.

U.S. Commerce Department figures also suggest some slowing in the pace of retail sales, but as is the case with the employment data, California continues to outperform the nation. For the first five months of 1990, sales in California are up 6-1/2 percent over the year earlier pace, compared to a 4-1/2 percent increase for the nation. In 1989, California posted a 9 percent rise in retail sales, according to Commerce Department figures.

New car registrations in California have totaled 610,000 through the first five months of 1990, down 3 percent from the 1989 pace. Car sales nationally are running about 5 percent below last year's rate. The timing of new car registrations lags about two to three weeks behind sales figures reported by automobile manufacturers.

Consumer prices in California are showing increases similar to the national experience. June figures for the state--a population weighted average of the Los Angeles and San Francisco indexes--show prices up 4.8 percent over the year ago level, compared to a 4.7 percent increase nationally. The Los Angeles index was up 4.9 percent, while the San Francisco figure was 4.3 percent higher than in June 1989.

**National Income Accounts Revisions.** The releases on July 27 and 30 of gross national product and personal income data for the nation included the annual midyear revisions of the national income accounts for the previous three years. As noted in the last issue of *Indicators*, the revisions included a substantial downward revision in wages and salaries--$57 billion for 1989 on average, and almost $100 billion for May 1990. The wage revisions reflected the incorporation into the estimates of actual payroll data for 1989.

However, the effect of the cut in wages was partially offset by a $25 billion upward revision in nonfarm proprietors' income. The upward revision in proprietors' income is difficult to reconcile with mid-April Federal personal income tax collections which were well below expectations. These final April payments are heavily skewed toward non-wage sources such as proprietors' income, and if anything the tax experience would point to lower, not higher, levels of self employed income.

Later this month, the U.S. Department of Commerce will release revised state income estimates for 1987-89. As noted in the last issue, both the Department of Commerce, in its state by state figures, and the Department of Finance incorporate actual payroll reports into the wage estimates as soon as the data are available. The state figures therefore already reflect the lower level of wages in the revised national figures. However, the revisions to proprietors' income--along with other minor changes--may slightly increase California's 1989 income estimate.

The revised California income figures will be available from the Department of Finance in early September and will be published in the September/October issue of *Indicators*.

## AGRICULTURE ON THE UPSWING

California's huge farm sector, depressed during much of the 1980s, has staged an impressive recovery in recent years. Cash receipts in 1989, originally estimated at $17.3 billion, now appear to have been close to $18 billion, a solid 7-1/2 percent advance over the 1988 figure. Moreover, despite California's ongoing drought, most signs point to a further gain in farm receipts this year.

The continuing drought has pushed up farm costs, significantly in some cases, as producers have had to spend more for pumping ground water, while in some instances substituting less water intensive crops. Thus, a repeat of last year's impressive rise in net incomes--now estimated at 30 percent for farm proprietors' income--appears unlikely in 1990. Nonetheless, high prices for such major California farm products as beef, poultry, dairy, cotton, citrus fruit and fresh winter vegetables should more than offset the higher costs encountered by many growers.

**TOP 10 STATES--FARM RECEIPTS**
**($ Billions)**

| State | Amount |
|---|---|
| California | 17.9 |
| Texas | 10.7 |
| Iowa | 9.1 |
| Nebraska | 8.5 |
| Illinois | 6.7 |
| Minnesota | 6.5 |
| Kansas | 6.3 |
| Florida | 6.2 |
| Wisconsin | 5.3 |
| North Carolina | 4.6 |

Source: US Dept of Agriculture
Calif Dept of Finance

California remains by far the nation's largest agricultural state, with last year's receipts some 67 percent greater than second place Texas. California agriculture is the most diversified of any state farm economy, with no single commodity category accounting for more than 13-1/2 percent of total receipts.

Dairy products, valued at $2.4 billion last year, is the leading farm product category. Other livestock products, including live cattle ($1.5 billion), eggs ($400 million) and poultry (over $600 million total) are also among the state's leading agricultural products. California is now the second leading dairy state, and will probably overtake Wisconsin within the next few years.

**CALIFORNIA'S TOP 20 CROPS**
**($ Millions)**

| | |
|---|---|
| Milk and Cream | 2,431 |
| Grapes | 1,665 |
| Cattle, Calves | 1,505 |
| Cotton Lint | 929 |
| Nursery | 929 |
| Hay | 878 |
| Flowers, Foliage | 813 |
| Lettuce | 670 |
| Processing Tomatoes | 569 |
| Almonds | 495 |
| Oranges | 438 |
| Eggs | 402 |
| Chickens | 366 |
| Strawberries | 354 |
| Rice | 303 |
| Turkeys | 249 |
| Broccoli | 244 |
| Fresh Market Tomatoes | 240 |
| Walnuts | 223 |
| Carrots | 218 |

Apart from dairy and cotton, relatively little of California agriculture is directly affected by Federal farm programs. Of course, the sector does benefit from both State and Federal water projects, but most California farmers sell their products into the market--directly or through co-operatives--without benefit of government loan supports.

The most striking feature about California agriculture is the diversity of the crops and the

## CALIFORNIA PRODUCES MORE THAN HALF THE NATION'S:

| Product | % of US |
|---|---|
| Almonds | 100 |
| Apricots | 98 |
| Artichokes | 100 |
| Avocados | 86 |
| Broccoli | 90 |
| Brussels Sprouts | 95 |
| Carrots | 58 |
| Cauliflower | 77 |
| Celery | 72 |
| Dates | 100 |
| Figs | 100 |
| Garlic | 81 |
| Herbs | 61 |
| Honeydew Melons | 79 |
| Kiwifruit | 100 |
| Lemons | 81 |
| Lettuce | 76 |
| Nectarines | 97 |
| Olives | 100 |
| Peaches | 65 |
| Pears (Bartlett) | 57 |
| Persimmons | 98 |
| Squab | 62 |
| Pistachios | 100 |
| Plums | 83 |
| Pomegranates | 100 |
| Prunes | 100 |
| Raisins | 100 |
| Strawberries | 75 |
| Sudan Grass | 89 |
| Table Grapes | 96 |
| Tomatoes (Processing) | 91 |
| Walnuts | 100 |
| Wine Grapes | 96 |

extent to which the state is the major supplier of a variety of fruits, vegetables and nuts. The California Department of Food and Agriculture identifies 57 crops or livestock products for which California is the leading U.S. supplier. The state provides more than half the nation's supply of 34 crops (listed at left). In addition to the very specialized items such as almonds, artichokes, dates, figs, raisins and prunes--to name a few for which California is the sole U.S. source--the state provides the lion's share of such common items as tomatoes, grapes, carrots, peaches, strawberries and broccoli.

The ten leading farm counties account for nearly three-quarters of the state's agricultural production. Six of the eight San Joaquin Valley counties rank in California's top ten, led by Fresno which is also the nation's leading farm county. The mild coastal climates of Monterey and Ventura counties provide summer greens, while desert areas of Riverside and Imperial counties are important sources of winter fruits and vegetables.

Exports are an important part of California's farm economy. California is a leading source of winter produce to Canada and much of Europe. Almonds, walnuts, raisins, oranges, cotton and, increasingly, wine are also important exports from the state. Exports of beef to Japan have begun to increase in recent months. All told, farm exports exceeded $5 billion last year.

## TOP TEN AGRICULTURAL COUNTIES

| County | Value ($ Mil) | Leading Products |
|---|---|---|
| Fresno | 2,603 | Grapes, Cotton, Milk |
| Tulare | 1,850 | Milk, Oranges, Grapes |
| Kern | 1,606 | Grapes, Cotton, Almonds |
| Monterey | 1,224 | Lettuce, Broccoli, Strawberries |
| Riverside | 1,092 | Milk, Grapes, Eggs |
| Merced | 1,053 | Milk, Chickens, Almonds |
| Stanislaus | 963 | Milk, Chickens, Almonds |
| Imperial | 946 | Cattle, Alfalfa, Lettuce |
| San Joaquin | 871 | Milk, Grapes, Almonds |
| Ventura | 806 | Lemons, Nursery, Celery |

*Information for this article was provided by the California Department of Food and Agriculture.*

## EMPLOYMENT
(Seasonally Adjusted)

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Jun | May | Apr | Mar | Jun | % Change |
| Civilian employment (000) | 14,073 | 13,998 | 13,881 | 13,847 | 13,725 | 2.5 |
| Unemployment (000) | 728 | 803 | 796 | 766 | 797 | -8.7 |
| Unemployment rate | 4.9 | 5.4 | 5.4 | 5.2 | 5.5 | -- |
| Nonagricultural wage and salary employment a/ (000) | 12,974.6 | 12,989.0 | 12,962.3 | 12,932.0 | 12,566.2 | 3.3 |
| Mining | 40.8 | 40.9 | 40.7 | 40.6 | 40.3 | 1.2 |
| Construction | 658.0 | 666.3 | 673.0 | 678.5 | 650.3 | 1.2 |
| Manufacturing | 2,137.5 | 2,141.1 | 2,147.8 | 2,153.9 | 2,168.1 | -1.4 |
| High technology b/ | 701.4 | 702.4 | 702.2 | 705.8 | 716.4 | -2.1 |
| Transportation and public utilities | 628.6 | 627.8 | 627.2 | 626.7 | 608.6 | 3.3 |
| Trade | 3,079.8 | 3,084.7 | 3,084.0 | 3,070.6 | 2,979.8 | 3.4 |
| Finance, insurance, and real estate | 870.0 | 870.4 | 869.0 | 869.6 | 829.3 | 4.9 |
| Services | 3,472.6 | 3,469.7 | 3,451.6 | 3,431.3 | 3,296.1 | 5.4 |
| Government | 2,087.2 | 2,088.1 | 2,068.9 | 2,060.8 | 1,993.5 | 4.7 |
| Federal | 377.1 | 381.7 | 366.1 | 358.4 | 358.5 | 5.2 |
| State and local | 1,710.1 | 1,706.4 | 1,702.9 | 1,702.4 | 1,635.1 | 4.6 |

## HOURS AND EARNINGS IN MANUFACTURING

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | May | Apr | Mar | Feb | May | % Change |
| Average weekly hours c/ | 40.5 | 39.6 | 40.7 | 40.3 | 40.5 | 0.0 |
| Average weekly earnings c/ | $462.92 | $449.46 | $461.95 | $455.39 | $450.77 | 2.7 |
| Average hourly earnings c/ | $11.43 | $11.35 | $11.35 | $11.30 | $11.13 | 2.7 |

## PRODUCTION

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | May | Apr | Mar | Feb | May | % Change |
| Petroleum (000 barrels daily) c/ | n.a. | n.a. | 967 | 965 | 1,011 | -- |
| Portland cement (000 short tons) c/ | 927.5 | 893.9 | 948.9 | 773.0 | 1,035.4 | -10.4 |

## TRADE
(Seasonally Adjusted)

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | May | Apr | Mar | Feb | May | % Change |
| Retail sales ($ millions) | 18,818 | 18,541 | 18,819 | 18,468 | 17,814 | 5.6 |
| New auto registrations (number) | 127,854 | 114,439 | 115,297 | 123,923 | 131,884 | -3.1 |

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

## CONSUMER PRICE INDEX
(1982-84 =100)

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Jun | May | Apr | Mar | Jun | % Change |
| All Urban Consumers Series | | | | | | |
| California Average | 134.3 | 133.7 | 133.4 | 133.4 | 128.2 | 4.8 |
| San Francisco CMSA | 131.6 | 130.8 | 130.7 | 130.0 | 126.2 | 4.3 |
| Los Angeles CMSA | 135.0 | 134.6 | 134.2 | 134.5 | 128.7 | 4.9 |
| Wage Earners and Clerical Workers Series | | | | | | |
| California Average | 130.6 | 130.3 | 129.9 | 129.9 | 125.2 | 4.3 |
| San Francisco CMSA | 130.1 | 129.9 | 129.8 | 129.0 | 125.6 | 3.6 |
| Los Angeles CMSA | 131.1 | 130.7 | 130.2 | 130.5 | 125.3 | 4.6 |

## CONSTRUCTION

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | May | Apr | Mar | Feb | May | % Change |
| Private residential housing units authorized (000) a/ | 177.7 | 178.9 | 204.0 | 230.1 | 258.6 | -31.3 |
| Single units | 115.8 | 123.5 | 121.8 | 138.2 | 170.3 | -32.0 |
| Multiple units | 61.9 | 55.4 | 82.1 | 91.9 | 88.3 | -29.9 |
| Residential building authorized valuation (millions) b/ | $1,832 | $1,891 | $1,963 | $2,190 | $2,418 | -24.2 |
| Nonresidential building authorized valuation (millions) b/ | $1,087 | $1,289 | $996 | $1,203 | $1,154 | -5.8 |
| Nonresidential building authorized valuation (millions) c/ | $1,140 | $1,229 | $1,056 | $1,042 | $1,204 | -5.3 |
| Commercial | $463 | $565 | $395 | $405 | $521 | -11.1 |
| Industrial | 106 | 153 | 141 | 167 | 169 | -37.3 |
| Other | 197 | 145 | 165 | 126 | 143 | 37.8 |
| Alterations and additions | 373 | 366 | 355 | 344 | 372 | 0.3 |

## VACANCY RATES FOR MARCH 1990
(Percent)

| | Office | | | Industrial |
|---|---|---|---|---|
| | Total | Downtown | Suburban | |
| Northern and Central California | | | | 6.6 |
| Oakland-East Bay | 18.8 | 12.2 | 20.5 | |
| Sacramento | 18.2 | 13.0 | 19.9 | |
| San Francisco | 15.5 | 13.6 | 18.3 | |
| San Jose | 14.4 | 20.4 | 12.6 | |
| Southern California | | | | 7.2 |
| Bakersfield | 26.3 | 30.8 | 24.3 | |
| Los Angeles | 15.9 | 12.7 | 16.7 | |
| Orange County | 20.5 | -- | 20.5 | |
| San Diego | 21.6 | 16.6 | 23.0 | |
| Ventura County | 20.3 | -- | 20.3 | |
| National Average | 19.9 | 16.7 | 21.3 | 6.5 |

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

## MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

| 1988 | | 1989 | | | | 1990 | |
|---|---|---|---|---|---|---|---|
| Jul | $174,388 | Jan | $182,859 | Jul | $201,653 | Jan | $194,952 |
| Aug | 174,750 | Feb | 190,197 | Aug | 200,064 | Feb | 197,184 |
| Sep | 177,107 | Mar | 194,697 | Sep | 198,743 | Mar | 196,621 |
| Oct | 178,499 | Apr | 201,034 | Oct | 193,627 | Apr | 197,107 |
| Nov | 181,328 | May | 201,021 | Nov | 193,581 | May | 196,094 |
| Dec | 177,285 | Jun | 199,441 | Dec | 188,184 | Jun | 194,821 |

## LEADING INDICATORS a/

| | | Manufacturing | | New |
|---|---|---|---|---|
| | | Overtime Hours | Average Weekly Hours | Business Incorporations |
| 1988 | Sep | 3.9 | 40.9 | 4,638 |
| | Oct | 3.7 | 40.7 | 4,856 |
| | Nov | 3.6 | 40.5 | 4,746 |
| | Dec | 3.7 | 40.6 | 4,866 |
| 1989 | Jan | 3.8 | 40.7 | 5,536 |
| | Feb | 4.0 | 40.8 | 4,047 |
| | Mar | 3.8 | 40.9 | 4,627 |
| | Apr | 3.9 | 41.1 | 4,314 |
| | May | 3.8 | 40.6 | 5,266 |
| | Jun | 3.8 | 40.6 | 4,253 |
| | Jul | 3.9 | 40.7 | 4,018 |
| | Aug | 3.9 | 40.8 | 4,245 |
| | Sep | 3.9 | 40.5 | 3,799 |
| | Oct | 3.9 | 40.6 | 4,137 |
| | Nov | 3.8 | 40.7 | 4,463 |
| | Dec | 3.9 | 40.6 | 3,882 |
| 1990 | Jan | 3.9 | 40.5 | 5,064 |
| | Feb | 3.8 | 40.4 | 3,736 |
| | Mar | 3.8 | 40.6 | 3,913 |
| | Apr | 3.3 | 39.7 | 4,184 |
| | May | 3.9 | 40.6 | 4,376 |
| | Jun | n.a. | n.a. | 3,750 |

| | | Unemployment Insurance Initial Claims | Housing Unit Authorizations (Thousands) |
|---|---|---|---|
| 1988 | Sep | 51,835 | 264.4 |
| | Oct | 48,583 | 283.7 |
| | Nov | 50,568 | 303.0 |
| | Dec | 50,187 | 235.9 |
| 1989 | Jan | 50,928 | 236.5 |
| | Feb | 51,409 | 241.3 |
| | Mar | 52,776 | 238.6 |
| | Apr | 53,309 | 236.4 |
| | May | 53,875 | 258.6 |
| | Jun | 53,742 | 228.4 |
| | Jul | 53,102 | 238.2 |
| | Aug | 54,380 | 219.0 |
| | Sep | 53,651 | 221.4 |
| | Oct | 58,414 | 236.7 |
| | Nov | 52,481 | 235.9 |
| | Dec | 48,722 | 260.7 |
| 1990 | Jan | 56,929 | 252.7 |
| | Feb | 56,162 | 230.1 |
| | Mar | 55,422 | 204.0 |
| | Apr | 57,682 | 178.9 |
| | May | 62,354 | 177.7 |
| | Jun | 60,587 | n.a. |

a/ Seasonally adjusted
n.a. Not available

## COINCIDENT INDICATORS a/

| | | Nonagricultural Employment (Thousands) | Manufacturing Employment (Thousands) | Unemployment Rate (Percent) | Unemployment Avg. Weeks Claimed (Thousands) |
|---|---|---|---|---|---|
| 1988 | Sep | 12,206 | 2,161 | 5.1 | 317 |
| | Oct | 12,259 | 2,162 | 5.1 | 316 |
| | Nov | 12,311 | 2,166 | 5.3 | 324 |
| | Dec | 12,368 | 2,171 | 4.8 | 300 |
| 1989 | Jan | 12,388 | 2,170 | 5.0 | 327 |
| | Feb | 12,431 | 2,169 | 5.1 | 326 |
| | Mar | 12,471 | 2,173 | 4.6 | 332 |
| | Apr | 12,436 | 2,162 | 5.3 | 325 |
| | May | 12,486 | 2,162 | 5.3 | 324 |
| | Jun | 12,566 | 2,168 | 5.5 | 314 |
| | Jul | 12,584 | 2,163 | 5.2 | 324 |
| | Aug | 12,641 | 2,168 | 4.6 | 332 |
| | Sep | 12,682 | 2,162 | 5.1 | 324 |
| | Oct | 12,724 | 2,153 | 4.9 | 328 |
| | Nov | 12,807 | 2,152 | 5.1 | 341 |
| | Dec | 12,851 | 2,149 | 5.3 | 304 |
| 1990 | Jan | 12,899 | 2,162 | 5.2 | 333 |
| | Feb | 12,926 | 2,159 | 4.9 | 342 |
| | Mar | 12,932 | 2,154 | 5.2 | 350 |
| | Apr | 12,962 | 2,148 | 5.4 | 347 |
| | May | 12,989 | 2,141 | 5.4 | 376 |
| | Jun | 12,975 | 2,138 | 4.9 | 355 |

| | | Personal Income ($ millions) | Wages & Salaries from Mining, Construction and Manufacturing ($ millions) | Taxable Sales ($ millions) |
|---|---|---|---|---|
| 1988 | Qtr I | 512,471 | 80,407 | 61,460 |
| | Qtr II | 516,809 | 80,123 | 62,027 |
| | Qtr III | 539,311 | 83,622 | 62,924 |
| | Qtr IV | 555,282 | 84,320 | 64,470 |
| 1989 | Qtr I | 551,107 | 85,385 | 65,456 |
| | Qtr II | 561,581 | 85,629 | 67,577 |
| | Qtr III | 578,709 | 86,876 | 69,375 |
| | Qtr IV | 595,029 | 90,408 | 69,424 |
| 1990 | Qtr I | 596,840 | 90,570 | n.a. |

## OTHER INDICATORS a/

| | | DOD Prime Contracts ($ millions) | | Electricity Production (Million KWH) | | |
|---|---|---|---|---|---|---|
| 1986 | Qtr I | 6,990 | | 1988 | Sep | 10,436 |
| | Qtr II | 5,847 | Total: c/ | | Oct | 10,027 |
| | Qtr III | 6,395 | | | Nov | 10,593 |
| | Qtr IV | 4,433 | | | Dec | 10,732 |
| 1987 | Qtr I | 5,857 | | 1989 | Jan | 10,957 |
| | Qtr II | 6,224 | | | Feb | 11,807 |
| | Qtr III | 7,434 | 24,515 | | Mar | 11,319 |
| | Qtr IV | 4,148 | | | Apr | 11,005 |
| | | | | | May | 10,012 |
| 1988 | Qtr I | 5,068 | | | Jun | 10,892 |
| | Qtr II | 10,172 | | | Jul | 11,234 |
| | Qtr III | 5,660 | 23,458 | | Aug | 10,928 |
| | Qtr IV b/ | n.a. | | | Sep | 11,339 |
| | | | | | Oct | 10,787 |
| 1989 | Qtr I | n.a. | | | Nov | 10,894 |
| | Qtr II | n.a. | | | Dec | 10,769 |
| | Qtr III | 7,190 | 23,125 | | | |
| | | | | 1990 | Jan | 10,462 |
| | | | | | Feb | 8,823 |
| | | | | | Mar | 8,934 |
| | | | | | Apr | 9,077 |

a/ Seasonally adjusted b/ Not available. See note on next page. c/ U.S. fiscal year: October through September.

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

### TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

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### A NOTE ON PRIME CONTRACT AWARDS

**Due to a change in the collection of data, the U.S. Department of Defense will not be publishing Prime Contract Awards by State for the first half of U.S. fiscal years 1989 and 1990. The publication will be resumed in 1991. Since the first-half data are necessary for deriving the quarterly series, the graph will be temporarily discontinued. In the Economic Data section, we will provide fiscal year totals and quarterly updates whenever available.**

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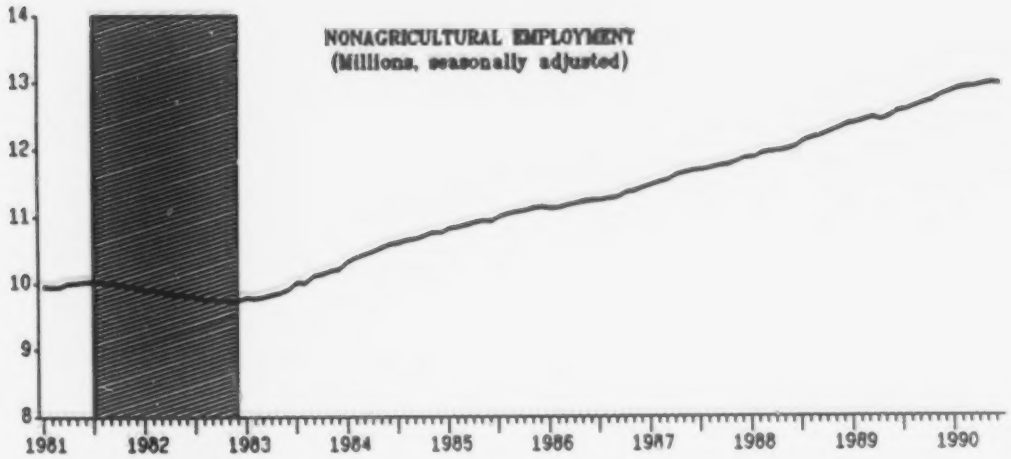
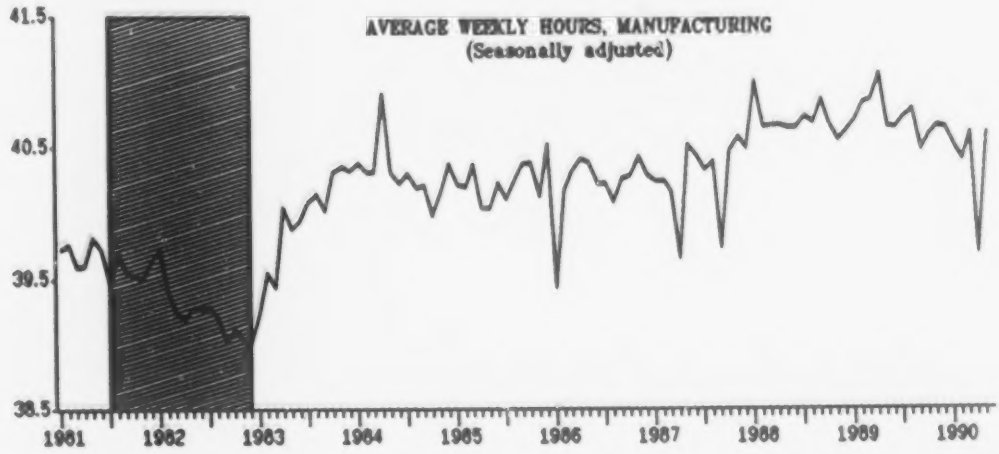
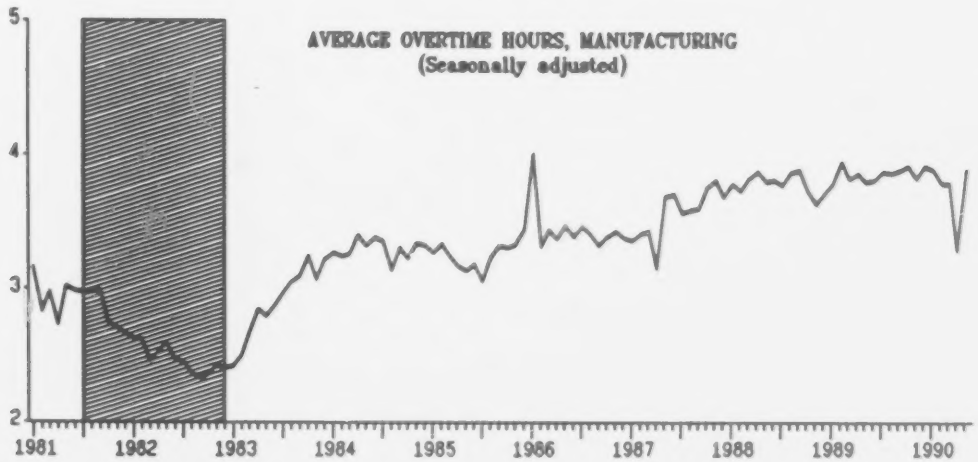
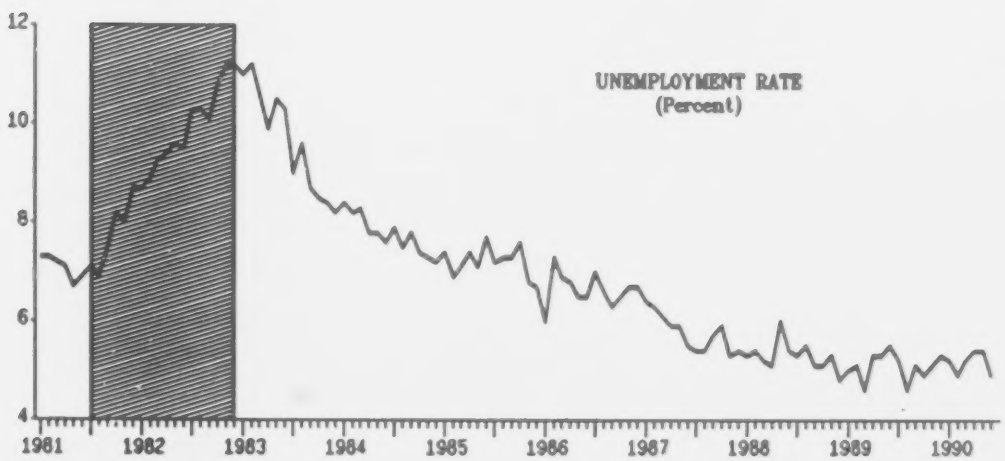
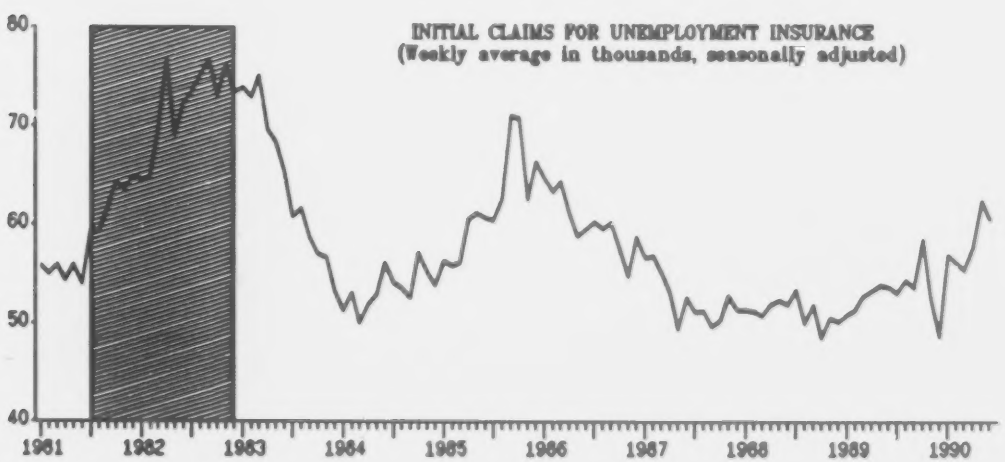

NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)
14
13
12
11
10
9
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

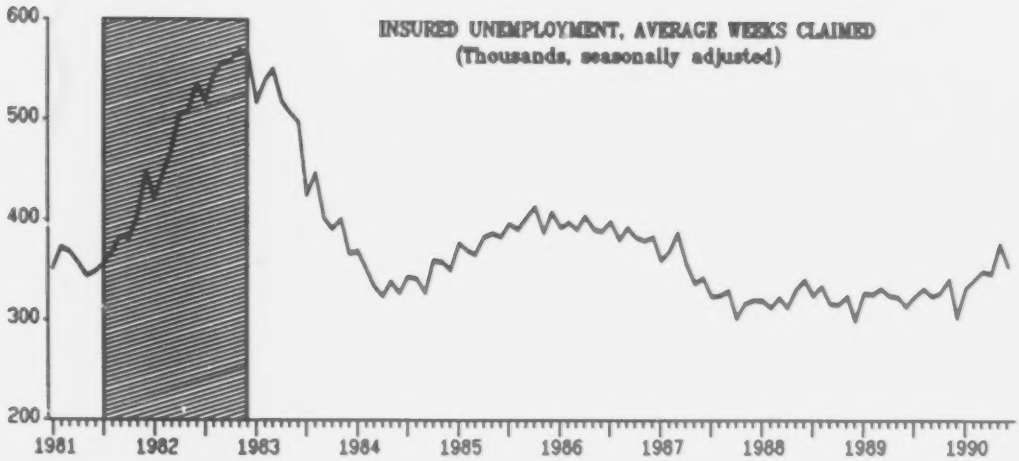
MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

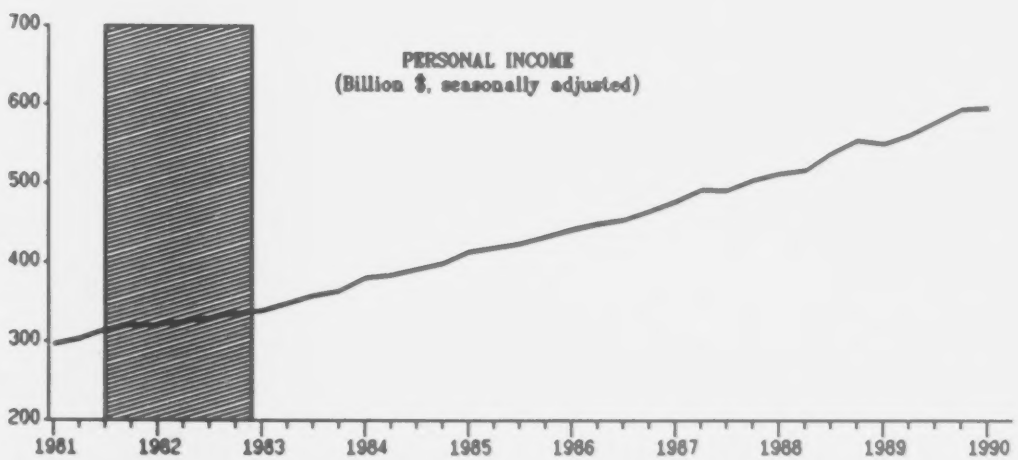

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

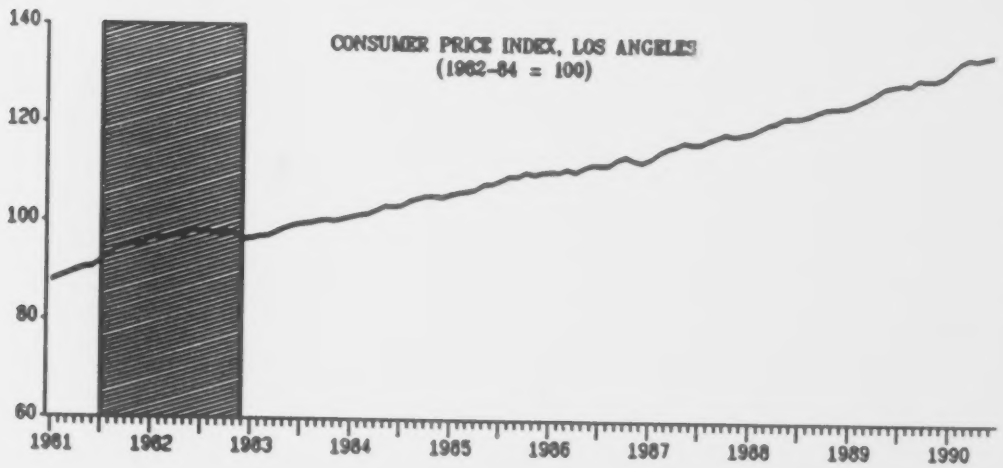

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


PERSONAL INCOME
(Billion $, seasonally adjusted)
700
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

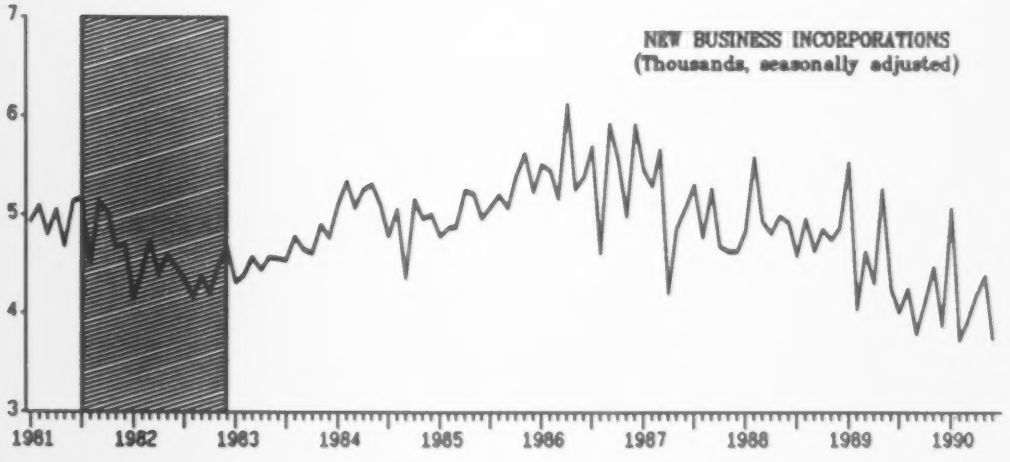
WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

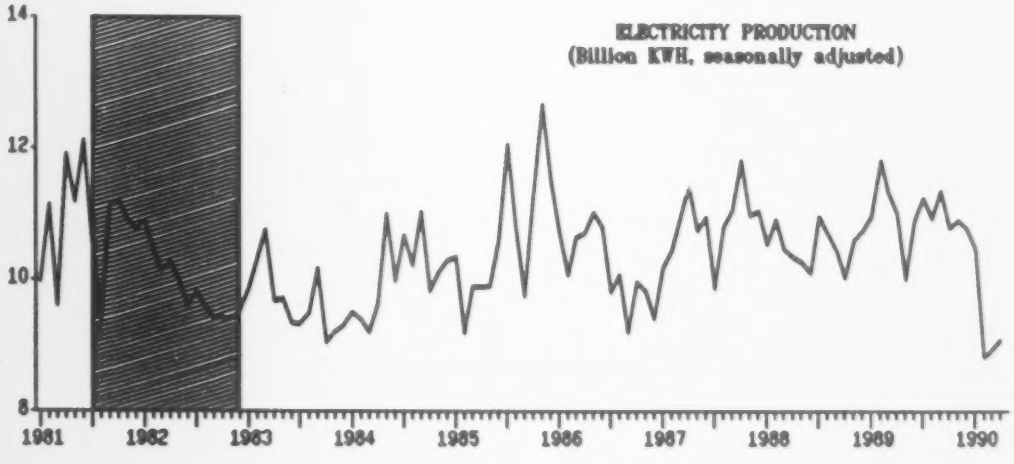
TAXABLE SALES
(Billion $, seasonally adjusted)
80
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989

CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

500
400
300
200
100
0
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


7
6
5
4
3
NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


14
12
10
8
ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

| 1980 | |
|---|---|
| February 25 | Prime rate raised to 16-1/2 percent. |
| February 27 | Ceilings on interest rates for government backed mortgages raised to 13 percent. |
| February 29 | Prime rate raised to 16-3/4 percent. |
| March 4 | Prime rate raised to 17-1/4 percent. |
| March 7 | Prime rate raised to 17-3/4 percent. |
| March 13 | Prime rate raised to 18-1/4 percent. |
| March 14 | Announcement of tighter fiscal policies. |
| March 17 | Three percent discount rate surcharge imposed. |
| March 18 | Prime rate raised to 19 percent. |
| April 2 | Prime rate raised to 20 percent. |
| April 3 | FHA mortgages raised to 14 percent. |
| April 20 | Prime rate reduced to 19-1/2 percent. |
| April 28 | FHA mortgages reduced to 13 percent. |

| 1980--continued | |
|---|---|
| April 28 | Prime rate reduced to 18-1/2 percent. |
| May 5 | Prime rate reduced to 18 percent. |
| May 7 | Prime rate reduced to 17 percent. |
| May 8 | Discount rate surcharge reimposed. |
| May 12 | Prime rate reduced to 16-1/2 percent. |
| May 19 | Prime rate reduced to 16 percent. |
| May 28 | Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent. |
| June 25 | Carpenters strike in Northern California ended. |
| July 3 | ICC begins trucking industry deregulation. |
| July 21-Oct. 23 | Motion picture and television industry strike. |
| July 22 | Prime rate reduced to 11 percent. |
| July 25 | Prime rate reduced to 10-3/4 percent. |

## CHRONOLOGY--Continued

1980--continued

| | |
|---|---|
| July 28 | Discount rate reduced to 10 percent. |
| August 5 | Prime rate raised to 11 percent. |
| August 27 | Prime rate raised to 11-1/2 percent. |
| September 5 | FHA mortgage interest rate raised from 11-1/2 to 12 percent. |
| September 12 | California morgage rate raised from 13-1/2 percent to 13-3/4 percent. |
| September 25-Nov. 14 | Pacific Southwest Airlines (PSA) pilots strike begins. |
| September 26 | Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent. |
| October 2 | Prime raised from 13 to 13-1/2 percent. |
| October 3 | Prime raised to 14 percent. |
| October 15 | AFTA workers return to work. |
| October 30 | Prime raised from 14 to 14-1/2 percent. |
| November 7 | Prime raised from 14-1/2 to 15-1/2 percent. |
| November 17 | Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed. |
| November 21 | Prime raised to 17 percent. |
| November 28 | Prime raised to 17-3/4 percent. |

1980--continued

| | |
|---|---|
| December 3 | Prime raised from 17-3/4 to 18-1/2 percent. |
| December 5 | Discount rate raised from 12 to 13 percent. Prime raised to 19 percent. |
| December 11 | Prime raised to 20 percent. |
| December 17 | Prime raised from 20 to 21 percent. |
| December 23 | Prime lowered from 21 to 20-1/2 percent. |

1981

| | |
|---|---|
| January 1 | Minimum wage raised from $3.10 to $3.35. |
| January 6 | Prime lowered to 20 percent. |
| January 20 | American hostages released from Iran. |
| January 20 | Ronald Reagan inaugurated as 40th President of the U.S. |
| January 28 | Deregulation of oil and gas industry announced, effective immediately. |
| January 29 | Prime rate lowered to 19-1/2 percent from 20 percent. |
| February 16 | General Motors and Ford rebate plans announced. |
| February 23 | Prime rate lowered to 18 percent. |
| March 2 | Prime rate lowered to 18-1/2 percent. |
| March 10 | Prime rate lowered to 18 percent. |
| March 16 | Prime rate lowered to 17-1/2 percent. |

## CHRONOLOGY--Continued

1981--Continued

| | |
|---|---|
| March 18 | Prime rate lowered to 17 percent. |
| March 26-June 8 | United mine workers strike. |
| April 13 | Prime rate raised to 17-1/2 percent. |
| April 29 | Prime rate raised to 18 percent. |
| May 4 | Prime rate raised to 19 percent. |
| May 5 | Discount rate raised from 13 percent to 14 percent. |
| May 8 | FHA-VA rate up to 15-1/2 percent from 14-1/2 percent. |
| May 11 | Prime rate raised to 19-1/2 percent. |
| May 22 | Prime rate raised to 20 percent. |
| May 27 | OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level. |
| June 5 | Dollar reaches highest level in international trading since December 1971. |
| July 8 | Prime rate raised to 20-1/2 percent. |
| August 3-Jan. 17, 1986 | Professional Air Traffic Controller's Organization strike. |
| August 14 | President Reagan signs both the tax- and budget-cut bills into law. |
| August 18 | FHA-VA rate up to 16-1/2 percent from 15-1/2 percent. |

1981--Continued

| | |
|---|---|
| September 1 | Prime rate lowered to 20 percent. |
| September 21 | Prime rate lowered to 19-1/2 percent. |
| September 22 | Fed surcharge cut to 3 percent from 4 percent. |
| October | Introduction of All Savers Certificates to stimulate savings. |
| October 6 | Prime rate lowered to 19 percent. |
| | Egyptian President Sadat assassinated. |
| October 13 | Prime rate lowered to 18 percent. |
| October 30 | OPEC price set at $34.00/barrel--the Saudi benchmark. |
| November 1 | Passbook interest rate raised 1/2 percent to 5-3/4 percent. |
| November 2 | Fed discount rate cut from 14 percent to 13 percent. |
| | Prime rate lowered to 17-1/2 percent. |
| November 10 | Prime rate lowered to 17 percent. |
| November 13 | Prime rate lowered to 16-1/2 percent. |
| | FHA mortgage rate lowered to 15-1/2 percent. |
| November 16 | Prime rate lowered to 16 percent. |

## CHRONOLOGY--Continued

1981--continued

| | |
|---|---|
| November 17 | Fed eliminates 2 percent surcharge. Discount rate unaffected. |
| December 1 | Prime rate lowered to 15-1/2 percent. |
| December 4 | Fed discount rate lowered from 13 percent to 12 percent. |
| December 12 | Martial law imposed in Poland. |

1982

| | |
|---|---|
| January 22 | Federal funds rate raised to 13-1/2 percent. |
| January 25 | FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent. |
| February 2 | Prime rate raised to 16-1/2 percent by Citibank and Crocker. |
| February 18 | Prime rate increased to 17 percent. |
| February 24 | Prime rate cut to 16-1/2 percent. |
| March 1 | Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises. |
| March 8 | Prime rate lowered to 16 percent. |
| March 16 | Prime rate back up to 16-1/2 percent. |
| April 1 | OPEC cuts production to 17.5 million barrels from current |

1982--continued

| | |
|---|---|
| | 18.2. Saudi bench mark set at $34/barrels. |
| April 5 | Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975. |
| April 12 | General Motor and United Auto Workers labor agreement approved. |
| April 26 | The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century. |
| May 7 | U.S. unemployment rate reaches 9.4 percent for a post-WW II record. |
| May 13 | Braniff Air Lines ceases operation. |
| June 25 | Secretary of State Alexander Haig resigns. |
| June 28 | U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts. |
| July 20 | Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent. |
| July 27 | Prime rate lowered to 15-1/2 percent. |
| August 2 | Discount rate lowered to 11 percent. Prime rate lowered to 15 percent. |
| August 9 | Unemployment rate reached 9.8 percent in July--the |

## CHRONOLOGY--Continued

1982--Continued

highest level since a 9.9 percent rate in 1941.

August 16 — Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.

August 18 — Dow Jones Industrial Average rose 38.81 points--an all-time record.

August 19 — The stock market trading soared to a record 132,690,000 shares.

August 27 — Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

November 23 — Prime rate lowered from 12 percent to 11-1/2 percent.

December 13 — Discount rate cut to 8-1/2 percent.

December 14 — Introduction of money market deposit accounts by banks and S&Ls.

### 1983

January 5 — Super NOW accounts introduced.

January 11 — Prime rate lowered to 11 percent.

January 31 — Independent truckers strike begins.

February 10 — Independent truckers strike ends.

February 15 — Toyota/GM agreement to build a small car in late 1984.

1983--Continued

February 25 — Prime rate lowered to 10-1/2 percent.

March 14 — OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.

May 2 — An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.

June 8 — The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.

June 18 — Paul Volcker reappointed as Federal Reserve Board Chairman.

June 24 — The Federal Budget deficit totalled a record $29.29 billion in May.

July 7 — The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.

July 13 — Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.

July 25 — The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.

August 1 — California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong

## CHRONOLOGY--Continued

1983--Continued

| | |
|---|---|
| | investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed. |
| August 2 | The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent. |
| August 7-August 28 | The Communications Workers of America and two other unions strike AT&T. |
| August 8 | Prime rate raised from 10-1/2 percent to 11 percent by most major banks. |
| August 23 | The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent. |
| September 1 | Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan. |
| November 1 | Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent. |
| November 3-December 21 | Strike against Greyhound Lines Inc. |
| December 1 | FHA mortgage interest rates begin to float. VA rates are still pegged. |

1984

| | |
|---|---|
| January 3 | Breakup of AT&T becomes effective. |
| February 2 | Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions. |

1984--Continued

| | |
|---|---|
| March 19 | Prime rate raised from 11 percent to 11-1/2 percent. |
| March 20 | Maximum rate on VA loans raised from 12-1/2 to 13 percent. |
| April 4 | Prime rate raised from 11-1/2 percent to 12 percent. |
| April 9 | Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years. |
| May 5 | Prime rate raised from 12 percent to 12-1/2 percent. |
| June 26 | Prime rate raised from 12-1/2 percent to 13 percent. |
| September 3 - December 7 | Hotel and restaurant strike - San Francisco. |
| September 15-October 14 | UAW-General Motors strike. |
| September 28 | Prime rate reduced from 13 percent to 12-3/4 percent. |
| October 16 | Prime rate reduced from 12-3/4 percent to 12-1/2 percent. |
| October 28 | Prime rate reduced from 12-1/2 percent to 12 percent. |
| November 7 | Prime rate reduced from 12 percent to 11-3/4 percent. |
| November 21 | Discount rate reduced from 9 percent to 8-1/2 percent. |
| November 28 | Prime rate reduced from 11-3/4 percent to 11-1/4 percent. |
| December 17 | Prime rate reduced from 11-1/4 percent to 10-3/4 percent. |

## CHRONOLOGY--Continued

1984--Continued

| | |
|---|---|
| December 24 | Discount rate reduced from 8-1/2 percent to 8 percent. |

1985

| | |
|---|---|
| January 1 | Federal price controls removed from approximately half of the natural gas produced in the United States. |
| January 15 | Prime rate reduced from 10-3/4 percent to 10-1/2 percent. |
| March 9 | Home State Savings Bank Cincinnati, Ohio closed. |
| March 15 | Seventy Ohio thrift institutions closed to prevent run on deposits. |
| March 25 | Maximum rate on VA loans raised from 12-1/2 percent to 13 percent. |
| May 2 | Auto manufacturer's initiate low interest loan programs. |
| May 17-June 14 | United Airlines--Air Pilots Association strike. |
| May 17 | Prime rate reduced from 10-1/2 percent to 10 percent. |
| May 20 | Dow Jones Industrials close above 1,300 for the first time. |
| May 29 | Presidents' tax reform plan unveiled. |
| June 18 | Prime rate reduced to 9-1/2 percent from 10 percent. |
| July 16 | Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979. |

1985--Continued

| | |
|---|---|
| July 22-October 16 | 8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years. |
| August 15 | GM announces 7.7 percent financing rate program to run through October 2nd. |
| August 20 | Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos. |
| September 4 | The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio. |
| September 15 | A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect. |
| September 16 | Saudi Arabia announces plans to boost oil production and cut prices. |
| September 22 | G-5 agreement to push the dollar lower. |
| November 7 | Dow Jones Industrials close above 1400 for the first time. |
| December 10 | World oil prices fall by more than a dollar after OPEC decides to abandon price supports. |
| December 12 | President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991. |

## CHRONOLOGY--Continued

1985--Continued

| | |
|---|---|
| December 23 | President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System. |

1986

| | |
|---|---|
| January 1 | Ceiling on Super NOW accounts was removed. |
| January 17 | United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history. |
| January 28 | Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died. |
| February 26 | Corazon Aquino takes over Phillipines as the new president. |
| March 3 | Dow Jones Industrials close above 1700 for the first time. |
| March 4 | Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years. |
| | Oil prices fall to $12 per barrel. |
| March 7 | The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan. |
| March 10 | Prime rate cut to 9 percent from 9-1/2 percent. |
| March 21 | Dow Jones Industrials close above 1800 for the first time. |
| | Conservative Chirac appointed as Prime Minister of France. |

1986--Continued

| | |
|---|---|
| March 25 | U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra. |
| April 1 | Interest ceilings on passbook saving accounts ended. |
| | Oil prices fall to under $11 per barrel. |
| April 14 | U.S. air strike against Libya. |
| April 21 | U.S. Dollar reaches a post-WWII low against the Yen at 168.60. |
| | Discount rate cut from 7 percent to 6-1/2 percent. |
| | Prime rate cut to 8-1/2 percent from 9 percent. |
| April 23 | Paul Volcker warns of public and private debt buildup as a threat to the economy. |
| April 25 | Soviet nuclear plant at Chernobyl destroyed by fire. |
| May 12 | U.S. dollar falls to 159.95 Yen. |
| May 22 | U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada. |
| June 1-June 26 | CWA strike at AT&T. |
| July 7 | The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional. |

## CHRONOLOGY--Continued

1986--Continued

| | |
|---|---|
| July 7 | The Dow Jones Industrial average was down a record 61.87 points. |
| July 10 | The Fed lowered the discount rate from 6-1/2% to 6%. |
| July 11 | Prime rate cut to 8 percent from 8-1/2 percent. |
| July 20 | Prime rate cut to 7-1/2 percent. |
| August 1 | United steelworkers strike for the first time since 1959. 44,000 workers were involved. |
| August 20 | The discount rate was reduced from 6 percent to 5-1/2 percent. |
| August 27 | The prime rate was cut to 7-1/2 percent from 8 percent. |
| August 28 | General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent. |
| September 4 | Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17. |
| September 5 | California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income. |
| September 11 | The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89. |

1986--Continued

| | |
|---|---|
| October 22 | President Reagan signs the tax reform bill into law, the first full scale remodification since 1954. |
| October 27-December 13 | Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike |
| November 1 | The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only. |

1987

| | |
|---|---|
| January 1 | California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction. |
| | Fannie Mae raises mortgage ceiling to $153,100 from $133,250. |
| | OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel. |
| January 8 | The Dow Jones Industrial average topped the 2000 mark. |
| January 19 | The Dow Jones Industrial average topped the 2100 mark. |
| | The California Trade Office opened in Tokyo. |
| | The dollar fell to a record low against the yen--150.49 yen to the dollar. |

## CHRONOLOGY--Continued

1987--Continued

| | |
|---|---|
| January 22 | The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67. |
| February 5 | Brazil suspends interest payments on commercial debt. |
| | The Dow Jones Industrial average topped the 2200 mark. |
| March 5 | Ecuador is rocked by severe earthquake. |
| March 16 | Fannie Mae announces it will not enter home equity loan market. |
| March 20 | The Dow Jones Industrial average topped the 2300 mark. |
| March 24 | U.S. dollar falls to post WW II low--148.5 yen to the dollar. |
| April 1 | The prime rate increased from 7-1/2 to 7-3/4 percent. |
| April 6 | The Dow Jones Industrial average topped the 2400 mark. |
| April 13 | The California Trade Office opened in London. |
| May 1 | The prime rate was increased from 7-3/4 percent to 8 percent. |
| May 5 | Immigration amnesty program in effect. |
| May 7 | The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury. |

1987--Continued

| | |
|---|---|
| May 15 | The prime rate was increased to 8-1/4 percent from 8 percent. |
| May 17 | The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf. |
| June 1 | Penalties in place for employers of illegal aliens. |
| July 17 | Dow Jones Industrials close over 2,500 for the first time. |
| July 22 | Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf. |
| August 10 | Dow Jones index closes over 2,600 for 1st time. |
| August 11 | Alan Greenspan sworn in as Chairman of the Federal Reserve Board. |
| August 17 | Dow Jones index closes over 2,700 for 1st time. |
| September 4 | Discount rate raised from 5-1/2 percent to 6 percent. |
| | Prime rate raised from 8-1/4 percent to 8-3/4 percent. |
| October 1 | Severe earthquake hits Southern California. Epicenter near Whittier. |
| October 7 | Prime rate raised from 8-3/4 percent to 9-1/4 percent. |
| October 14 | Dow Jones Industrials fall a record 95 points. |
| October 15 | Dow Jones Industrials down 58 points. |
| October 16 | Dow Jones Industrials down a record 108 points. |

## CHRONOLOGY--Continued

### 1987--Continued

| | |
|---|---|
| October 19 | Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points. |
| October 21 | Dow up a record 187 points. |
| October 22 | Prime rate cut to 9 percent from 9-1/4 percent. |
| November 2 | Dollar falls to 40 year low of 136.95 Yen. |
| November 5 | Prime rate cut to 8-3/4 percent from 9 percent. |
| November 23-November 24 | Severe earthquakes hit Imperial County. |
| November 30 | Dollar hits postwar lows against Yen and Mark. |

### 1988

| | |
|---|---|
| February 3 | Prime rate cut to 8.5 percent from 8.75 percent. |
| March 7-August 7 | Television writers strike. |
| May 12 | Prime rate raised from 8.5 percent to 9 percent. |
| July 1 | California's minimum wage raised from $3.35 to $4.25. |
| July 3 | U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf. |
| July 14 | Prime rate raised from 9 percent to 9-1/2 percent. |
| August 9 | Discount rate raised from 6 percent to 6-1/2 percent. |

### 1988--Continued

| | |
|---|---|
| August 11 | Prime rate raised from 9-1/2 percent to 10 percent. |
| November 28 | Prime rate raised from 10 percent to 10-1/2 percent. |
| December 8 | Severe earthquake hits Soviet Armenia; death toll more than 100,000. |
| December 21 | Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash. |

### 1989

| | |
|---|---|
| February 10 | Prime rate raised from 10-1/2 percent to 11 percent. |
| February 24 | Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent. |
| March 4 | International Association of Machinists strike against Eastern Airlines. |
| March 24 | Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil. |
| June 5 | Prime rate cut from 11-1/2 percent to 11 percent. |
| July 10 | Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent. |
| July 19 | DC-10 crashes at Sioux City; hydraulic systems failure cited as cause. |
| July 31 | Most major banks cut prime rate to 10-1/2 percent. |

## CHRONOLOGY--Continued

### 1989--Continued

| | |
|---|---|
| September 21 | Hurricane Hugo hits the Carolinas causing extensive property damage. |
| October 4-November 20 | International Association of Machinists strike Boeing. |
| October 17 | Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area. |
| November 30 | October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989. |

### 1990

| | |
|---|---|
| January 8 | Prime rate cut from 10-1/2 percent to 10 percent. |
| January 15 | Campeau Corp. files for Chapter 11 bankruptcy-law protection. |
| February 13 | Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection. |
| March 2 | Amalgamated Transit Union strikes Greyhound Lines, Inc. |
| April 1 | Federal minimum wage raised from $3.35 to $3.80. |
| July 27 | Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent. |

## REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

| Initial Trough | | Peak | | Terminal Trough | | Expansion (months) | Contraction (months) | Total (months) |
|---|---|---|---|---|---|---|---|---|
| Dec. | 1854 | June | 1857 | Dec | 1858 | 30 | 18 | 48 |
| Dec. | 1858 | Oct. | 1860 | June | 1861 | 22 | 8 | 30 |
| June | 1861 | April | 1865 | Dec. | 1867 | 46 | 32 | 78 |
| Dec. | 1867 | June | 1869 | Dec. | 1870 | 18 | 18 | 36 |
| Dec. | 1870 | Oct. | 1873 | March | 1879 | 34 | 65 | 99 |
| March | 1879 | March | 1882 | May | 1885 | 36 | 38 | 74 |
| May | 1885 | March | 1887 | April | 1888 | 22 | 13 | 35 |
| April | 1888 | July | 1890 | May | 1891 | 27 | 10 | 37 |
| May | 1891 | Jan. | 1893 | June | 1894 | 20 | 17 | 37 |
| June | 1894 | Dec. | 1895 | June | 1897 | 18 | 18 | 36 |
| June | 1897 | June | 1899 | Dec. | 1900 | 24 | 18 | 42 |
| Dec. | 1900 | Sept. | 1902 | Aug. | 1904 | 21 | 23 | 44 |
| Aug. | 1904 | May | 1907 | June | 1908 | 33 | 13 | 46 |
| June | 1908 | Jan. | 1910 | Jan. | 1912 | 19 | 24 | 43 |
| Jan. | 1912 | Jan. | 1913 | Dec. | 1914 | 12 | 23 | 35 |
| Dec. | 1914 | Aug. | 1918 | March | 1919 | 44 | 7 | 51 |
| March | 1919 | Jan. | 1920 | July | 1921 | 10 | 18 | 28 |
| July | 1921 | May | 1923 | July | 1924 | 22 | 14 | 36 |
| July | 1924 | Oct. | 1926 | Nov. | 1927 | 27 | 13 | 40 |
| Nov. | 1927 | Aug. | 1929 | March | 1933 | 21 | 43 | 64 |
| March | 1933 | May | 1937 | June | 1938 | 50 | 13 | 63 |
| June | 1938 | Feb. | 1945 | Oct. | 1945 | 80 | 8 | 88 |
| Oct. | 1945 | Nov. | 1948 | Oct. | 1949 | 37 | 11 | 48 |
| Oct. | 1949 | July | 1953 | May | 1954 | 45 | 10 | 55 |
| May | 1954 | Aug. | 1957 | April | 1958 | 39 | 8 | 47 |
| April | 1958 | April | 1960 | Feb. | 1961 | 24 | 10 | 34 |
| Feb. | 1961 | Dec. | 1969 | Nov. | 1970 | 106 | 11 | 117 |
| Nov. | 1970 | Nov. | 1973 | March | 1975 | 36 | 16 | 52 |
| March | 1975 | Jan. | 1980 | July | 1980 | 58 | 6 | 64 |
| July | 1980 | July | 1981 | Nov. | 1982 | 12 | 16 | 28 |

## SOURCES OF STATISTICAL SERIES

| | |
|---|---|
| Employment Development Department<br>Employment Data and Research | Civilian employment<br>Unemployment<br>Unemployment rate<br>Hours and earnings<br>Initial claims for unemployment insurance<br>Insured unemployment, average weeks claimed |
| Department of Industrial Relations<br>Division of Labor Statistics and Research | California consumer price index |
| Department of Finance | Personal income<br>Wages and salaries<br>Nonagricultural employment<br>Manufacturing employment |
| Department of Motor Vehicles | New auto registrations |
| State Board of Equalization | Taxable sales |
| U.S. Department of Commerce | Retail sales<br>Housing units authorized<br>Construction valuation |
| U.S. Bureau of Labor Statistics | Consumer price indices |
| U.S. Department of Energy | Electricity production |
| U.S. Department of Defense | Prime defense contracts |
| Conservation Committee of California Oil Producers | Petroleum production |
| U.S. Bureau of Mines | Cement production |
| California Secretary of State | New business incorporations |
| Coldwell Banker | Vacancy rates |
| California Association of Realtors | Existing family home data |
| Construction Industry Research Board | Housing units authorized<br>Construction valuation |

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# CALIFORNIA ECONOMIC INDICATORS

## September/October 1990

DEPARTMENT OF FINANCE

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## INTRODUCTION

*California Economic Indicators* is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

| Beginning Subscription Date | Prorated Amount Due |
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| January | $8.00 |
| March | 6.75 |
| May | 5.40 |
| July | 4.05 |
| September | 2.70 |
| November | 1.35 |

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The situation in the Persian Gulf has added another element of uncertainty to an already muddled economic picture. Even before Iraq's invasion of Kuwait, most economic indicators for the nation were flashing unmistakable warning signals. Declining manufacturing and construction activity, stagnant retail sales, a virtual halt in the growth of non-government employment and dwindling gains in personal incomes certainly suggested that the nation's economy was moving dangerously close to recession, if indeed one was not already underway.

The 40 percent rise in oil prices since early August--and the resulting 15-20 percent jump in the cost of gasoline--have mainly affected consumer and business confidence. The rise in energy costs thus far is substantially less than experienced during either the 1973 embargo or the 1979 Iranian disruption. Moreover, energy is a far less crucial element in the economy today than it was in the early 1970s. Still, with the U.S. again importing more than half its petroleum needs, events in the Gulf provided clear evidence that energy supplies are not as secure as commonly supposed.

Thus far, California has not felt the full impact of the slowdown in the nation's economic activity or the effects of the Mideast situation. While economic growth has clearly slowed, the state continues to outperform the nation by a comfortable margin. For example, over the six months from February to August, the 187,000 new jobs in California amounted to well over one quarter of the nation's total job growth.

In addition, California is one of the nation's most energy efficient regional economies, ranking 42nd among the 50 states in per capita energy use, with consumption some 22 percent below the U.S. average. Hence, while concerns over the Middle East situation cannot be easily dismissed, the effects on California of higher energy prices should be considerably less than in most other areas of the country. In previous energy episodes, California was harmed more by supply disruptions resulting from price controls and allocation schemes, than by the actual rise in energy costs. With price controls and allocations now removed, the state will no doubt be much better able to cope with the current situation.

In California, even the price effects of the Gulf situation have been somewhat muted, so far at least. Despite the 5 cent hike in the gasoline tax, effective August 1, gasoline prices in California actually rose less than the national average during August--a little more than 6 percent in Los Angeles and San Francisco, compared to a jump of over 9 percent nationally. Excluding the tax increase, the rise in gasoline prices was less than half the national increase during August, according to the CPI.

None of this is to suggest that California has been immune to the effects of both the national economic slowdown and the rise in energy costs. Employment growth, for example, has slowed from last year's 4 percent gain to less than 3 percent in August, on a year over year comparison. Moreover, in recent months, government has provided much of the growth in nonfarm employment, with extra Census workers adding to Federal payrolls. An unusually small summer dropoff in local public school jobs resulted in a substantial 6.4 percent annual gain in local government employment, with the schools posting gains in excess of 8 percent.

By contrast, private payrolls have increased only 2.3 percent since August 1989. Recent revisions have wiped out last year's previously reported steady gains in factory jobs, and manufacturing has been on a steady downward trend for the last 18 months, based on seasonally adjusted figures. Construction employment peaked in March of this year, but has declined steadily since then. Among private industries, services, trade and the financial sector have been the main sources of growth so far in 1990.

Personal income figures are also reflecting a slower pace of activity. Income for the second quarter, estimated at $613.8 billion, was up less

than 7 percent over the comparable 1989 level. This is well below the 8 and 9 percent growth experienced in 1989 and 1988. The income figures reflect annual benchmark revisions from the U.S. Department of Commerce, as well as new seasonal adjustment factors. See the article beginning on page 5 for further details on the revisions.

**The Housing Slowdown.** For a while, it appeared that California was not going to share in the national downturn in homebuilding activity. Through February, California permit volume remained in the robust 200,000-plus unit range, suggesting that 1990 might be the seventh year of the state's remarkable homebuilding boom. Since then, however, permit volume has dropped steadily, reaching a seven year low of 154,000 units at an annual rate in July. The permit data are seasonally adjusted by the Department of Finance.

The existing home market also continues to soften, with both sales volume and median prices falling below year ago levels over the summer months. Sacramento, which had been the state's only remaining strong housing market, finally succumbed in August, with prices and volume down and unsold listings up from July.

The current housing slowdown is unusual in the sense that it has not been accompanied or proceeded by a sharp rise in mortgage interest rates. Indeed, mortgage rates have moved within a rather narrow range, averaging slightly more than 10 percent for fixed rate loans and about 9 percent for adjustable rate instruments. Apartment construction has been weak for more than three years, a victim of a declining young adult population and Federal tax reform. The recent slowdown has been mainly in the "for sale" single family segment, which is normally most sensitive to mortgage rates.

On this occasion, however, it appears that basic supply/demand forces in the housing, rather than mortgage, market provide the best explanation for the slowdown: California homebuilders may have finally caught up with the state's booming demand for housing. Evidence of this comes from a five year comparison of new housing permits to job growth. While population gains may create a "need" for housing, actual demand is generally associated with job growth.

Over the five years from 1985 through 1989 inclusive, California builders have taken out 68 new house permits for each 100 new jobs, a ratio well above the national average of 55 houses per 100 new jobs over the same period. The California housing to jobs ratio is considerably below the excessive levels seen in Arizona and Texas (and more recently Nevada), and an above average ratio was probably required to eliminate what many observers believed was a backlog of unmet housing demand when the most recent boom got underway in the early 1980s.

However, the notion that supply and demand might have achieved a rough balance for the time being is quite consistent with the softening of existing home prices and sales. Of course, other factors, including flagging consumer confidence, deteriorating household finances and poor affordability ratios, may also be playing a role. But the fact remains that California has built a lot of houses--over 1.6 million units--in the last six-plus years, even in the context of the state's booming population and employment growth.

**Thirty Million Californians.** Sometime this summer--September 9, the state's Admission Day is a pretty good estimate, according to Department of Finance demographers--California passed a milestone: the population reached 30 million people. The preliminary census count placed the state's population at 29,279,015 as of April 1, but that figure will be revised when the final count is received in December. In the meantime, the state continues to grow by about 2,000 a day, and depending on the extent of the final census revisions, probably passed the 30 million mark in early September.

## REVISED PERSONAL INCOME DATA

The tables below and on pages 6 and 7 show newly revised personal income figures for California for the years 1986 through 1989, as well as preliminary and estimated figures for the first two quarters of this year. The new data reflect the U.S. Commerce Department's annual benchmark revisions. Because the state income data had already incorporated 1989 payroll reports, the revisions were relatively minor, at least in comparison to the massive markdown in wages evident in July's national income revisions.

For California, the major revisions were in proprietors' and property incomes, both of which were revised up, most notably in 1988. Income for that year was revised up by a full percentage point (to a 9.1 percent growth rate) and California's $4.7 billion revision equalled more than two thirds of the total national change. Although the level and annual average growth was also revised up for 1989, the new figures in fact show a slightly weaker pattern of growth across the year, comparing the fourth quarters of 1988 and 1989.

The Department of Finance has also estimated new seasonal factors for service industry wages and salaries, in order to eliminate the fourth quarter bulge associated with personal service corporation bonuses, evident since passage of the 1986 Federal tax reform act. Following a method used by the U.S. Department of Commerce, the "dummy" seasonals were estimated by re-arranging the quarterly pattern of services wages for the years 1983-87 to match the new pattern observed in 1988-89. Seasonal factors for the modified series were estimated using the X-11 ARIMA method. These new seasonals are used from 1988 forward, and have the effect of increasing wages for the first three quarters of the year, while reducing the level in the final quarter.

**Quarterly Wage Pattern**

| | Previous | Revised | Difference |
|---|---|---|---|
| I-88 | 307.1 | 310.2 | 3.1 |
| II-88 | 309.3 | 312.9 | 3.6 |
| III-88 | 324.7 | 326.0 | 1.3 |
| IV-88 | 337.3 | 329.2 | (8.1) |
| I-89 | 328.1 | 332.1 | 4.0 |
| II-89 | 332.5 | 337.2 | 4.7 |
| III-89 | 344.1 | 344.9 | 0.8 |
| IV-89 | 363.9 | 354.3 | (9.6) |

**CALIFORNIA PERSONAL INCOME REVISIONS**
**$ Billions**

| | 1988 | | | 1989 | | |
|---|---|---|---|---|---|---|
| | Previous | Revised | Difference | Previous | Revised | Difference |
| Total Income | 531.0 | 535.7 | 4.7 | 571.6 | 579.2 | 7.6 |
| Wages and Salaries | 319.6 | 319.6 | 0.0 | 342.1 | 342.1 | 0.0 |
| Other Labor Income | 30.6 | 30.3 | (0.3) | 32.6 | 32.8 | 0.2 |
| Proprietors' Income | 47.5 | 52.7 | 5.2 | 50.8 | 55.1 | 4.3 |
| Farm | 4.3 | 6.3 | 2.0 | 4.4 | 5.6 | 1.2 |
| Nonfarm | 43.2 | 46.4 | 3.2 | 46.4 | 49.5 | 3.1 |
| Property Income | 88.3 | 88.2 | (0.1) | 97.7 | 101.0 | 3.3 |
| Dividends | 12.4 | 12.6 | 0.2 | 13.6 | 14.2 | 0.6 |
| Interest | 71.9 | 71.3 | (0.6) | 82.9 | 84.8 | 1.9 |
| Rent | 4.0 | 4.3 | 0.3 | 1.2 | 2.0 | 0.8 |
| Transfer Payments | 69.8 | 69.8 | 0.0 | 75.3 | 75.5 | 0.2 |
| Social Insurance Taxes | (25.1) | (24.9) | 0.2 | (27.3) | (27.7) | (0.4) |
| Residence Adjustment | 0.3 | 0.2 | (0.1) | 0.3 | 0.3 | 0.0 |

## CALIFORNIA PERSONAL INCOME
### Annual Totals, 1986-89
### (In Millions of Dollars)

| | 1986 | 1987 | 1988 | 1989 | Percent Change 1986-87 | Percent Change 1987-88 | Percent Change 1988-89 |
|---|---|---|---|---|---|---|---|
| EARNINGS (Place of Work) | 336,712 | 369,905 | 402,524 | 430,008 | 9.9 | 8.8 | 6.8 |
| Farm | 6,535 | 7,588 | 8,244 | 7,627 | 16.1 | 8.6 | -7.5 |
| Mining | 1,979 | 1,921 | 2,217 | 2,218 | -2.9 | 15.4 | 0.0 |
| Construction | 22,291 | 24,454 | 26,969 | 28,918 | 9.7 | 10.3 | 7.2 |
| Manufacturing | 64,745 | 68,652 | 73,632 | 77,279 | 6.0 | 7.3 | 5.0 |
| TCU | 21,200 | 22,118 | 23,259 | 24,744 | 4.3 | 5.2 | 6.4 |
| Trade | 54,493 | 57,764 | 63,717 | 68,397 | 6.0 | 10.3 | 7.3 |
| Finance-Ins-Real estate | 24,662 | 30,168 | 30,949 | 31,618 | 22.3 | 2.6 | 2.2 |
| Services | 86,453 | 98,277 | 110,315 | 120,928 | 13.7 | 12.2 | 9.6 |
| Government | 51,755 | 55,730 | 59,683 | 64,464 | 7.7 | 7.1 | 8.0 |
| Federal Civilian | 9,385 | 9,928 | 10,659 | 11,240 | 5.8 | 7.4 | 5.5 |
| Military | 6,608 | 6,818 | 6,996 | 7,247 | 3.2 | 2.6 | 3.6 |
| State and Local | 35,762 | 38,984 | 42,028 | 45,976 | 9.0 | 7.8 | 9.4 |
| Other Industries | 2,600 | 3,233 | 3,540 | 3,816 | 24.3 | 9.5 | 7.8 |
| WAGES AND SALARIES (Pl of Work) | 269,725 | 294,712 | 319,565 | 342,114 | 9.3 | 8.4 | 7.1 |
| Farm | 1,608 | 1,729 | 1,758 | 1,811 | 7.5 | 1.7 | 3.0 |
| Mining | 1,524 | 1,467 | 1,605 | 1,572 | -3.7 | 9.4 | -2.1 |
| Construction | 14,294 | 15,857 | 17,544 | 19,273 | 10.9 | 10.6 | 9.9 |
| Manufacturing | 55,880 | 59,194 | 63,396 | 66,390 | 5.9 | 7.1 | 4.7 |
| TCU | 16,872 | 17,578 | 18,319 | 19,510 | 4.2 | 4.2 | 6.5 |
| Trade | 46,150 | 48,881 | 53,593 | 57,677 | 5.9 | 9.6 | 7.6 |
| Finance-Ins-Real estate | 21,484 | 24,837 | 26,565 | 27,585 | 15.6 | 7.0 | 3.8 |
| Services | 60,508 | 69,813 | 77,656 | 84,599 | 15.4 | 11.2 | 8.9 |
| Government | 49,371 | 53,027 | 56,525 | 60,854 | 7.4 | 6.6 | 7.7 |
| Federal Civilian | 8,909 | 9,317 | 9,867 | 10,261 | 4.6 | 5.9 | 4.0 |
| Military | 6,608 | 6,818 | 6,996 | 7,247 | 3.2 | 2.6 | 3.6 |
| State and Local | 33,854 | 36,892 | 39,662 | 43,345 | 9.0 | 7.5 | 9.3 |
| Other Industries | 2,034 | 2,329 | 2,604 | 2,844 | 14.5 | 11.8 | 9.2 |
| OTHER LABOR INCOME (Pl of Work) | 25,961 | 27,875 | 30,285 | 32,809 | 7.4 | 8.6 | 8.3 |
| PROPRIETORS' INCOME (Pl of Work) | 41,026 | 47,318 | 52,674 | 55,085 | 15.3 | 11.3 | 4.6 |
| Farm | 4,723 | 5,651 | 6,268 | 5,586 | 19.6 | 10.9 | -10.9 |
| Nonfarm | 36,302 | 41,667 | 46,405 | 49,498 | 14.8 | 11.4 | 6.7 |
| PROPERTY INCOME (Place of Res.) | 74,870 | 77,859 | 88,154 | 101,006 | 4.0 | 13.2 | 14.6 |
| Dividends | 10,410 | 11,184 | 12,551 | 14,175 | 7.4 | 12.2 | 12.9 |
| Interest | 61,096 | 62,974 | 71,291 | 84,801 | 3.1 | 13.2 | 19.0 |
| Rent | 3,364 | 3,701 | 4,312 | 2,030 | 10.0 | 16.5 | -52.9 |
| TRANSFER PAYMENTS (Place of Res) | 61,589 | 64,974 | 69,766 | 75,532 | 5.5 | 7.4 | 8.3 |
| LESS CONTRIBUTIONS FOR SOCIAL INSURANCE (Place of Res.) | 20,294 | 22,084 | 24,949 | 27,672 | 8.8 | 13.0 | 10.9 |
| PLUS: RESIDENCE ADJUSTMENT | 233 | 193 | 227 | 315 | -- | -- | -- |
| TOTAL PERSONAL INCOME (Place of Residence) | 453,110 | 490,846 | 535,721 | 579,189 | 8.3 | 9.1 | 8.1 |

## CALIFORNIA PERSONAL INCOME: 1989-90

### Quarterly Pattern

### (In Millions of Dollars)

| | 1989 | | | | 1990 | | % Chg |
|---|---|---|---|---|---|---|---|
| | I | II | III | IV | I | II | 89:2-90:2 |
| EARNINGS (Place of Work) | 418,371 | 424,646 | 434,571 | 442,444 | 449,150 | 453,642 | 6.8 |
| Farm | 7,547 | 7,793 | 7,418 | 7,749 | 7,132 | 7,149 | -8.3 |
| Mining | 2,177 | 2,262 | 2,208 | 2,224 | 2,163 | 2,303 | 1.8 |
| Construction | 28,120 | 28,202 | 28,733 | 30,618 | 30,779 | 30,756 | 9.1 |
| Manufacturing | 76,300 | 76,424 | 77,313 | 79,078 | 78,917 | 79,435 | 3.9 |
| TCU | 24,417 | 24,206 | 24,922 | 25,432 | 26,884 | 26,332 | 8.8 |
| Trade | 66,447 | 67,747 | 69,088 | 70,306 | 71,372 | 72,856 | 7.5 |
| Finance-Ins-Real estate | 30,001 | 30,029 | 32,509 | 33,931 | 32,111 | 32,406 | 7.9 |
| Services | 115,649 | 120,371 | 123,735 | 123,955 | 125,796 | 128,522 | 6.8 |
| Government | 63,918 | 63,827 | 64,835 | 65,276 | 70,266 | 69,661 | 9.1 |
| Federal Civilian | 11,306 | 11,264 | 11,169 | 11,223 | 11,541 | 11,971 | 6.3 |
| Military | 7,264 | 7,237 | 7,251 | 7,237 | 7,501 | 7,512 | 3.8 |
| State and Local | 45,348 | 45,326 | 46,416 | 46,816 | 51,224 | 50,178 | 10.7 |
| Other Industries | 3,794 | 3,784 | 3,809 | 3,875 | 3,730 | 4,222 | 11.6 |
| WAGES AND SALARIES (Pl of Work) | 332,066 | 337,167 | 344,869 | 354,354 | 357,706 | 361,017 | 7.1 |
| Farm | 1,769 | 1,779 | 1,814 | 1,884 | 1,816 | 1,794 | 0.9 |
| Mining | 1,544 | 1,604 | 1,562 | 1,577 | 1,534 | 1,633 | 1.8 |
| Construction | 18,552 | 18,792 | 19,210 | 20,538 | 20,519 | 20,504 | 9.1 |
| Manufacturing | 65,606 | 65,656 | 66,363 | 67,936 | 67,798 | 68,243 | 3.9 |
| TCU | 19,251 | 19,085 | 19,650 | 20,052 | 21,202 | 20,766 | 8.8 |
| Trade | 55,862 | 56,955 | 58,081 | 59,810 | 60,027 | 61,172 | 7.4 |
| Finance-Ins-Real estate | 26,023 | 26,205 | 28,370 | 29,741 | 28,045 | 28,277 | 7.9 |
| Services | 80,180 | 84,037 | 85,787 | 88,393 | 87,663 | 89,750 | 6.8 |
| Government | 60,385 | 60,252 | 61,187 | 61,591 | 66,319 | 65,727 | 9.1 |
| Federal Civilian | 10,369 | 10,282 | 10,177 | 10,217 | 10,539 | 10,922 | 6.2 |
| Military | 7,264 | 7,237 | 7,251 | 7,237 | 7,501 | 7,512 | 3.8 |
| State and Local | 42,753 | 42,732 | 43,759 | 44,137 | 48,279 | 47,293 | 10.7 |
| Other Industries | 2,895 | 2,802 | 2,846 | 2,832 | 2,783 | 3,151 | 12.4 |
| OTHER LABOR INCOME (Pl of Work) | 31,818 | 32,271 | 33,078 | 34,071 | 34,293 | 34,563 | 7.1 |
| PROPRIETORS' INCOME (Pl of Work) | 54,486 | 55,208 | 56,624 | 54,020 | 57,151 | 58,062 | 5.2 |
| Farm | 5,555 | 5,790 | 5,375 | 5,626 | 5,085 | 5,128 | -11.4 |
| Nonfarm | 48,931 | 49,417 | 51,249 | 48,394 | 52,066 | 52,934 | 7.1 |
| PROPERTY INCOME (Place of Res.) | 98,176 | 101,798 | 104,458 | 99,592 | 105,909 | 107,287 | 5.4 |
| Dividends | 13,690 | 14,019 | 14,336 | 14,654 | 14,946 | 15,252 | 8.8 |
| Interest | 79,955 | 84,492 | 86,605 | 88,153 | 89,038 | 90,472 | 7.1 |
| Rent | 4,531 | 3,287 | 3,517 | (3,215) | 1,925 | 1,563 | -52.4 |
| TRANSFER PAYMENTS (Place of Res) | 73,575 | 74,728 | 76,080 | 77,747 | 80,873 | 81,658 | 9.3 |
| LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE (Place of Res.) | 26,900 | 27,322 | 27,902 | 28,565 | 29,367 | 29,202 | 6.9 |
| PLUS: RESIDENCE ADJUSTMENT | 265 | 295 | 330 | 370 | 373 | 375 | – |
| TOTAL PERSONAL INCOME (Place of Residence) | 563,487 | 574,145 | 587,537 | 591,588 | 606,938 | 613,760 | 6.9 |

## EMPLOYMENT
(Seasonally Adjusted)

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Aug | Jul | Jun | May | Aug | % Change |
| Civilian employment (000) | 14,010 | 13,995 | 14,073 | 13,998 | 13,899 | 0.8 |
| Unemployment (000) | 806 | 756 | 728 | 803 | 675 | 19.4 |
| Unemployment rate | 5.4 | 5.1 | 4.9 | 5.4 | 4.6 | -- |
| Nonagricultural wage and salary employment a/ (000) | 12,997.0 | 12,977.4 | 12,922.5 | 12,933.8 | 12,641.3 | 2.8 |
| Mining | 39.7 | 39.6 | 39.2 | 39.3 | 40.4 | -1.7 |
| Construction | 672.3 | 676.5 | 675.8 | 682.1 | 653.2 | 2.9 |
| Manufacturing | 2,116.0 | 2,118.5 | 2,127.4 | 2,134.7 | 2,167.8 | -2.4 |
| High technology b/ | n.a. | 694.3 | 697.7 | 697.8 | 720.6 | -- |
| Transportation and public utilities | 638.3 | 631.8 | 632.7 | 631.6 | 574.2 | 11.2 |
| Trade | 3,043.8 | 3,042.2 | 3,032.1 | 3,035.2 | 3,000.8 | 1.4 |
| Finance, insurance, and real estate | 863.0 | 861.4 | 858.6 | 855.5 | 841.0 | 2.6 |
| Services | 3,494.9 | 3,491.2 | 3,467.7 | 3,465.3 | 3,346.5 | 4.4 |
| Government | 2,129.0 | 2,116.2 | 2,089.0 | 2,090.1 | 2,017.3 | 5.5 |
| Federal | 365.7 | 371.4 | 377.1 | 381.9 | 355.4 | 2.9 |
| State and local | 1,763.2 | 1,744.8 | 1,711.9 | 1,708.1 | 1,661.9 | 6.1 |

## HOURS AND EARNINGS IN MANUFACTURING

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Jul | Jun | May | Apr | Jul | % Change |
| Average weekly hours c/ | 40.4 | 40.7 | 40.5 | 39.6 | 40.3 | 0.2 |
| Average weekly earnings c/ | $466.62 | $467.64 | $462.18 | $449.46 | $453.38 | 2.9 |
| Average hourly earnings c/ | $11.55 | $11.49 | $11.41 | $11.35 | $11.25 | 2.7 |

## PRODUCTION

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Jul | Jun | May | Apr | Jul | % Change |
| Petroleum (000 barrels daily) c/ | n.a. | n.a. | 969 | 967 | 1,000 | -- |
| Portland cement (000 short tons) c/ | 866.8 | 903.6 | 927.5 | 893.9 | 940.0 | -7.8 |

## TRADE
(Seasonally Adjusted)

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Jul | Jun | May | Apr | Jul | % Change |
| Retail sales ($ millions) | n.a. | 18,956 | 18,846 | 18,541 | 17,964 | -- |
| New auto registrations (number) | 125,179 | 114,325 | 127,854 | 114,439 | 111,992 | 11.8 |

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

## CONSUMER PRICE INDEX
(1982-84 =100)

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Aug | Jul | Jun | May | Aug | % Change |
| All Urban Consumers Series | | | | | | |
| California Average | 135.6 | 134.9 | 134.3 | 133.7 | 128.9 | 5.2 |
| San Francisco CMSA | 133.1 | 132.3 | 131.6 | 130.8 | 128.1 | 3.9 |
| Los Angeles CMSA | 136.3 | 135.6 | 135.0 | 134.6 | 128.9 | 5.7 |
| Wage Earners and Clerical Workers Series | | | | | | |
| California Average | 132.0 | 131.3 | 130.6 | 130.3 | 125.7 | 5.0 |
| San Francisco CMSA | 132.0 | 131.3 | 130.1 | 129.9 | 127.0 | 3.9 |
| Los Angeles CMSA | 132.3 | 131.6 | 131.1 | 130.7 | 125.5 | 5.4 |

## CONSTRUCTION

| | 1990 | | | | 1989 | Yr-Over-Yr |
|---|---|---|---|---|---|---|
| | Jul | Jun | May | Apr | Jul | % Change |
| Private residential housing units authorized (000) a/ | 154.5 | 179.8 | 177.8 | 179.6 | 238.2 | -35.1 |
| Single units | 110.0 | 108.8 | 116.1 | 123.4 | 167.0 | -34.1 |
| Multiple units | 44.5 | 71.0 | 61.8 | 56.3 | 71.2 | -37.5 |
| Residential building authorized valuation (millions) b/ | $1,670 | $1,835 | $1,852 | $1,899 | $2,256 | -26.0 |
| Nonresidential building authorized valuation (millions) b/ | $1,095 | $1,130 | $1,131 | $1,288 | $955 | 14.7 |
| Nonresidential building authorized valuation (millions) c/ | $1,151 | $1,308 | $1,186 | $1,228 | $1,004 | 14.6 |
| Commercial | $479 | $615 | $498 | $561 | $396 | 21.0 |
| Industrial | 134 | 162 | 137 | 151 | 159 | -15.7 |
| Other | 150 | 154 | 188 | 144 | 117 | 28.2 |
| Alterations and additions | 388 | 376 | 363 | 372 | 332 | 16.9 |

## VACANCY RATES FOR JUNE 1990
(Percent)

| | Office | | | Industrial |
|---|---|---|---|---|
| | Total | Downtown | Suburban | |
| Northern and Central California | | | | 7.5 |
| Oakland-East Bay | 17.9 | 12.8 | 19.2 | |
| Sacramento | 16.9 | 10.1 | 19.2 | |
| San Francisco | 14.9 | 11.8 | 19.2 | |
| San Jose | 14.8 | 20.2 | 13.3 | |
| Southern California | | | | 7.8 |
| Bakersfield | 21.9 | 31.2 | 17.7 | |
| Los Angeles | 16.9 | 15.3 | 17.2 | |
| Orange County | 20.5 | -- | 20.5 | |
| San Diego | 20.6 | 15.2 | 22.1 | |
| Ventura County | 21.1 | -- | 21.1 | |
| National Average | 19.9 | 16.7 | 21.3 | 6.5 |

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

## MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

| 1989 | | | | 1990 | | | |
|---|---|---|---|---|---|---|---|
| Jan | $182,859 | Jul | $201,653 | Jan | $194,952 | Jul | $194,099 |
| Feb | 190,197 | Aug | 199,385 | Feb | 197,184 | Aug | 193,292 |
| Mar | 194,697 | Sep | 198,743 | Mar | 196,621 | | |
| Apr | 201,034 | Oct | 193,734 | Apr | 197,107 | | |
| May | 201,021 | Nov | 193,581 | May | 196,094 | | |
| Jun | 199,441 | Dec | 188,184 | Jun | 194,821 | | |

## LEADING INDICATORS a/

| | | Manufacturing | | New |
|---|---|---|---|---|
| | | Overtime Hours | Average Weekly Hours | Business Incorporations |
| 1989 | Jan | 3.8 | 40.7 | 5,536 |
| | Feb | 4.0 | 40.8 | 4,047 |
| | Mar | 3.8 | 40.9 | 4,627 |
| | Apr | 3.9 | 41.1 | 4,314 |
| | May | 3.8 | 40.6 | 5,266 |
| | Jun | 3.8 | 40.6 | 4,253 |
| | Jul | 3.9 | 40.7 | 4,018 |
| | Aug | 3.9 | 40.8 | 4,245 |
| | Sep | 3.9 | 40.5 | 3,799 |
| | Oct | 3.9 | 40.6 | 4,137 |
| | Nov | 3.8 | 40.7 | 4,463 |
| | Dec | 3.9 | 40.6 | 3,882 |
| 1990 | Jan | 3.9 | 40.5 | 5,064 |
| | Feb | 3.8 | 40.4 | 3,736 |
| | Mar | 3.8 | 40.6 | 3,913 |
| | Apr | 3.3 | 39.7 | 4,184 |
| | May | 3.9 | 40.6 | 4,376 |
| | Jun | 3.8 | 40.6 | 3,750 |
| | Jul | 3.9 | 40.8 | 3,722 |
| | Aug | n.a. | n.a. | 3,540 |

| | | Unemployment Insurance Initial Claims | Housing Unit Authorizations (Thousands) |
|---|---|---|---|
| 1989 | Jan | 50,928 | 236.5 |
| | Feb | 51,409 | 241.3 |
| | Mar | 52,776 | 238.6 |
| | Apr | 53,309 | 236.4 |
| | May | 53,875 | 258.6 |
| | Jun | 53,742 | 228.4 |
| | Jul | 53,102 | 238.2 |
| | Aug | 54,380 | 219.0 |
| | Sep | 53,651 | 221.4 |
| | Oct | 58,414 | 236.7 |
| | Nov | 52,481 | 235.9 |
| | Dec | 48,722 | 260.7 |
| 1990 | Jan | 56,929 | 252.8 |
| | Feb | 56,162 | 230.1 |
| | Mar | 55,422 | 202.8 |
| | Apr | 57,682 | 179.6 |
| | May | 62,354 | 177.8 |
| | Jun | 60,587 | 179.8 |
| | Jul | 61,862 | 154.5 |
| | Aug | 63,886 | n.a. |

a/ Seasonally adjusted
n.a. Not available

## COINCIDENT INDICATORS a/

| | | Nonagricultural Employment (Thousands) | Manufacturing Employment (Thousands) | Unemployment Rate (Percent) | Unemployment Avg. Weeks Claimed (Thousands) |
|---|---|---|---|---|---|
| 1989 | Jan | 12,388 | 2,170 | 5.0 | 327 |
| | Feb | 12,431 | 2,169 | 5.1 | 326 |
| | Mar | 12,471 | 2,173 | 4.6 | 332 |
| | Apr | 12,436 | 2,162 | 5.3 | 325 |
| | May | 12,486 | 2,162 | 5.3 | 324 |
| | Jun | 12,566 | 2,168 | 5.5 | 314 |
| | Jul | 12,584 | 2,163 | 5.2 | 324 |
| | Aug | 12,641 | 2,168 | 4.6 | 332 |
| | Sep | 12,682 | 2,162 | 5.1 | 324 |
| | Oct | 12,714 | 2,155 | 4.9 | 328 |
| | Nov | 12,798 | 2,152 | 5.1 | 341 |
| | Dec | 12,833 | 2,148 | 5.3 | 304 |
| 1990 | Jan | 12,751 | 2,141 | 5.2 | 333 |
| | Feb | 12,810 | 2,143 | 4.9 | 342 |
| | Mar | 12,873 | 2,148 | 5.2 | 350 |
| | Apr | 12,907 | 2,142 | 5.4 | 347 |
| | May | 12,934 | 2,135 | 5.4 | 376 |
| | Jun | 12,923 | 2,127 | 4.9 | 355 |
| | Jul | 12,977 | 2,119 | 5.1 | 394 |
| | Aug | 12,997 | 2,116 | 5.4 | 372 |

| | | Personal Income ($ millions) | Wages & Salaries from Mining, Construction and Manufacturing ($ millions) | Taxable Sales ($ millions) |
|---|---|---|---|---|
| 1988 | Qtr I | 517,738 | 80,535 | 61,460 |
| | Qtr II | 523,719 | 80,913 | 62,027 |
| | Qtr III | 546,357 | 84,521 | 62,924 |
| | Qtr IV | 555,072 | 84,209 | 64,470 |
| 1989 | Qtr I | 563,487 | 85,702 | 65,456 |
| | Qtr II | 574,145 | 86,052 | 67,577 |
| | Qtr III | 587,537 | 87,134 | 69,375 |
| | Qtr IV | 591,588 | 90,051 | 69,424 |
| 1990 | Qtr I | 606,938 | 89,851 | 70,614 |
| | Qtr II | 613,760 | 90,380 | n.a. |

## OTHER INDICATORS a/

| | | DOD Prime Contracts ($ millions) | Total: c/ |
|---|---|---|---|
| 1986 | Qtr I | 6,990 | |
| | Qtr II | 5,847 | |
| | Qtr III | 6,395 | |
| | Qtr IV | 4,433 | |
| 1987 | Qtr I | 5,857 | |
| | Qtr II | 6,224 | |
| | Qtr III | 7,434 | 24,515 |
| | Qtr IV | 4,148 | |
| 1988 | Qtr I | 5,068 | |
| | Qtr II | 10,172 | |
| | Qtr III | 5,660 | 23,458 |
| | Qtr IV b/ | n.a. | |
| 1989 | Qtr I | n.a. | |
| | Qtr II | n.a. | |
| | Qtr III | 7,190 | 23,125 |

| | | Electricity Production (Million KWH) |
|---|---|---|
| 1989 | Jan | 10,957 |
| | Feb | 11,807 |
| | Mar | 11,319 |
| | Apr | 11,005 |
| | May | 10,012 |
| | Jun | 10,892 |
| | Jul | 11,234 |
| | Aug | 10,928 |
| | Sep | 11,339 |
| | Oct | 10,787 |
| | Nov | 10,894 |
| | Dec | 10,769 |
| 1990 | Jan | 10,462 |
| | Feb | 8,823 |
| | Mar | 8,934 |
| | Apr | 9,077 |
| | May | 9,365 |

a/ Seasonally adjusted b/ Not available. See note on next page. c/ U.S. fiscal year: October through September.

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

### TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

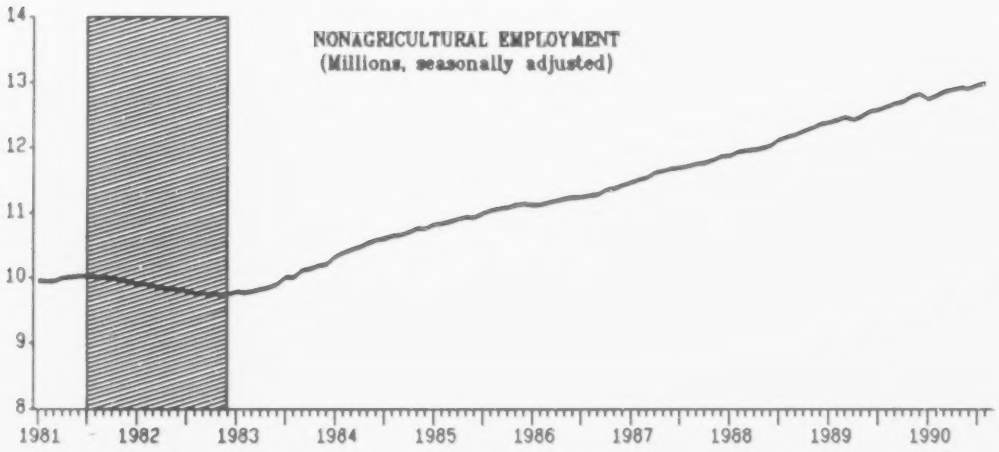
Taxable Sales

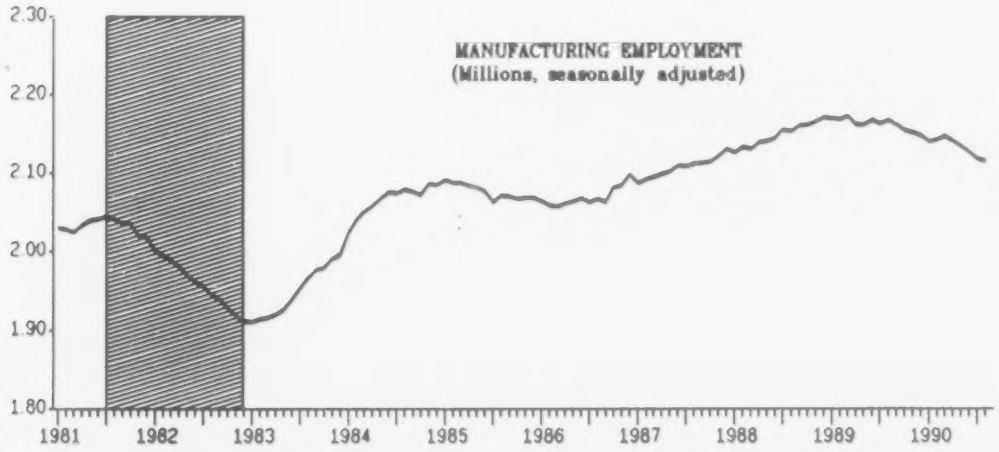
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

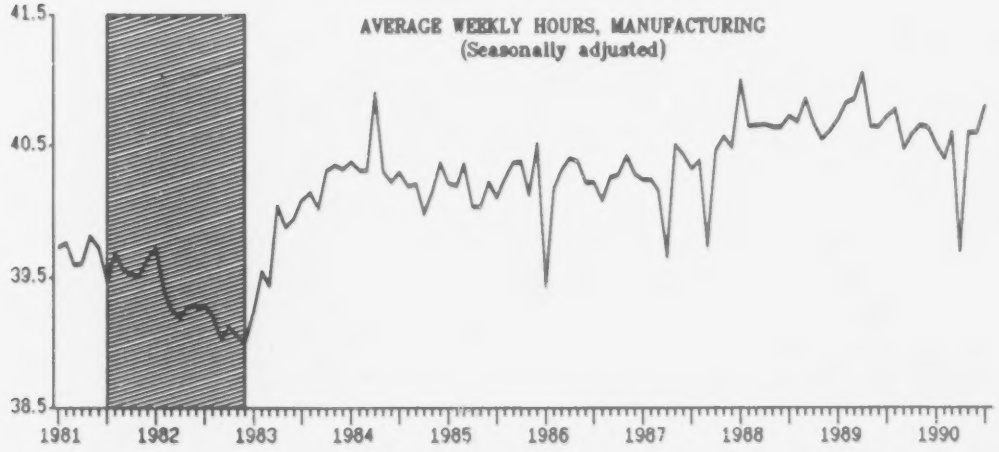
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

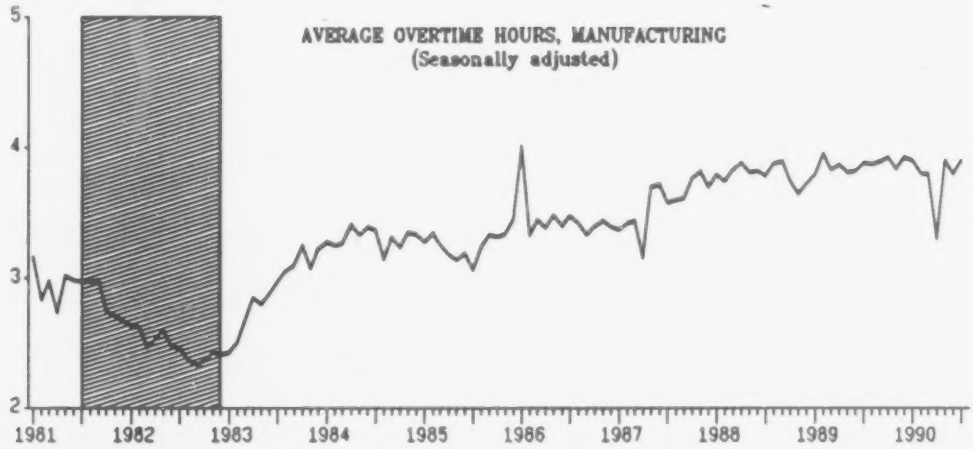
## A NOTE ON PRIME CONTRACT AWARDS

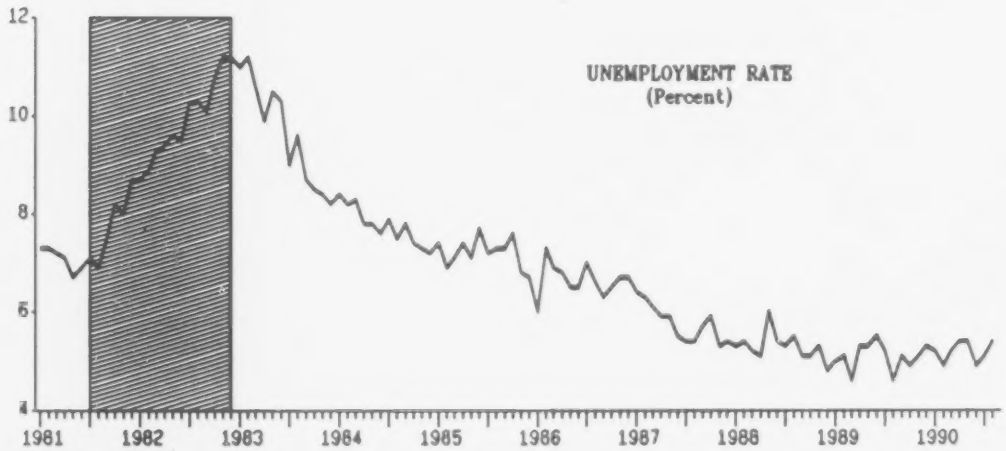
Due to a change in the collection of data, the U.S. Department of Defense will not be publishing Prime Contract Awards by State for the first half of U.S. fiscal years 1989 and 1990. The publication will be resumed in 1991. Since the first-half data are necessary for deriving the quarterly series, the graph will be temporarily discontinued. In the Economic Data section, we will provide fiscal year totals and quarterly updates whenever available.

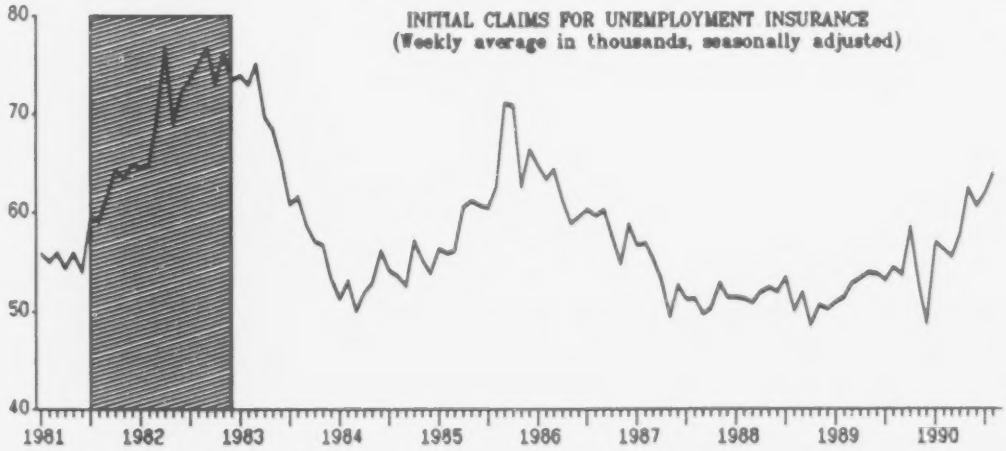

NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)
14
13
12
11
10
9
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

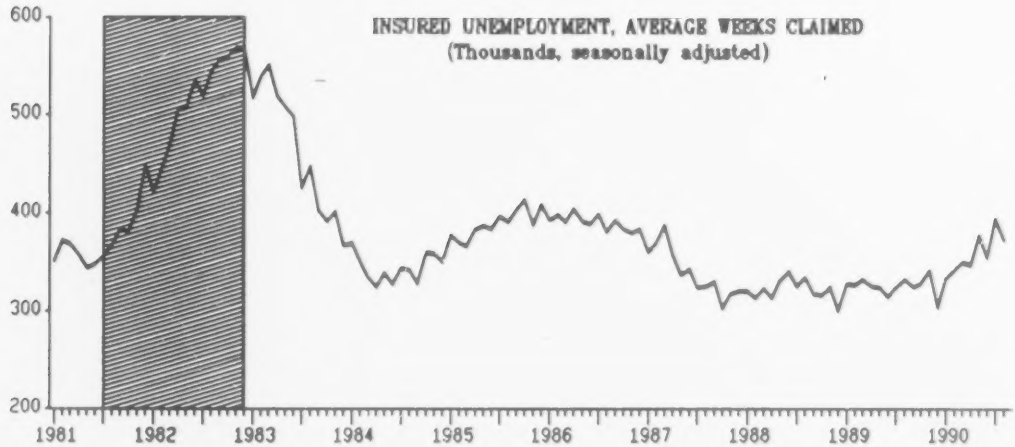

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

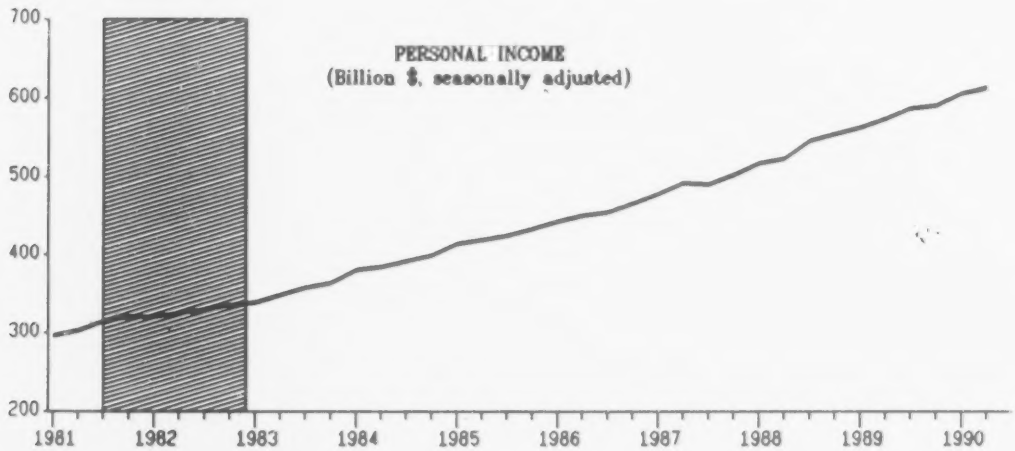

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

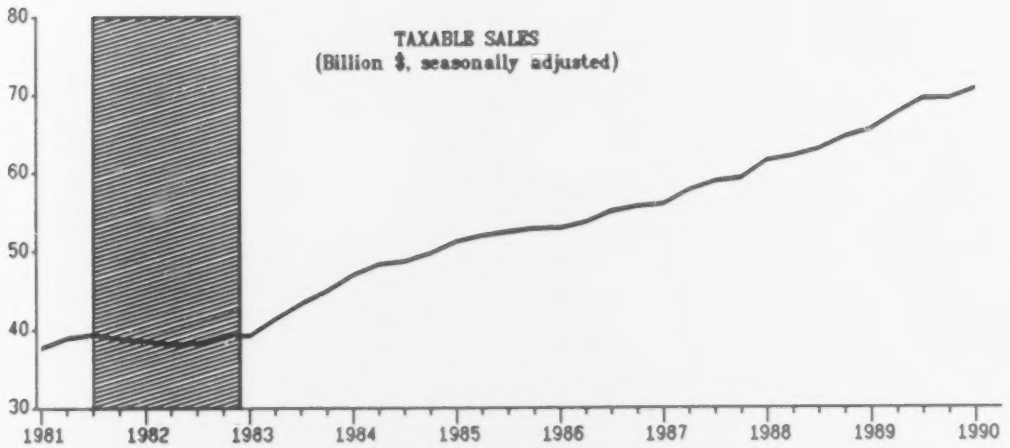

UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

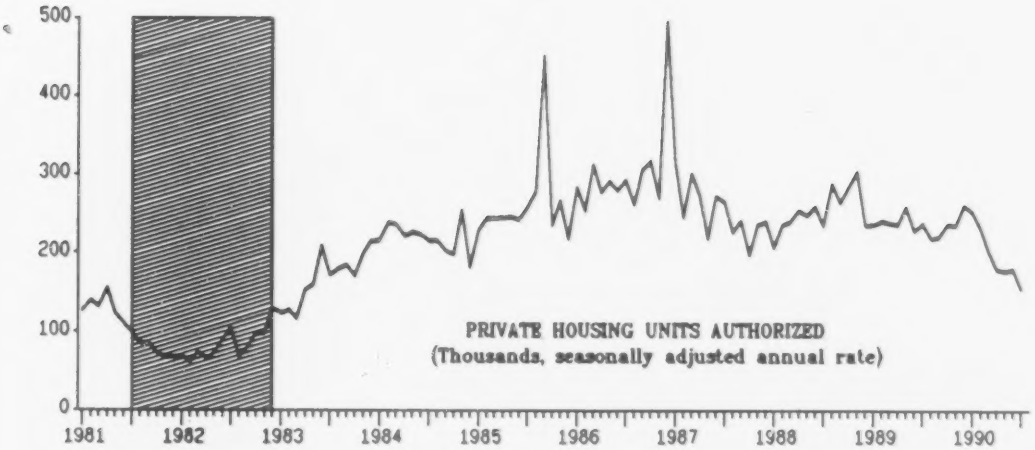

PERSONAL INCOME
(Billion $, seasonally adjusted)
700
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

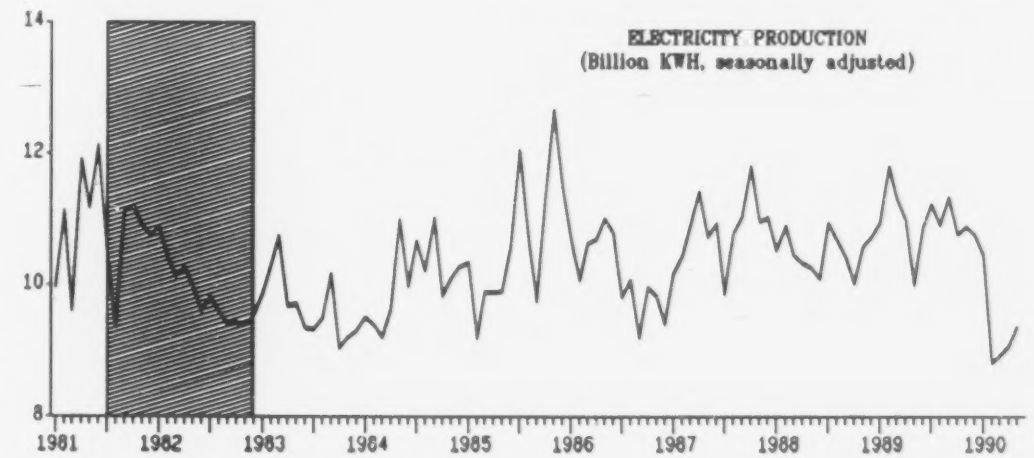

TAXABLE SALES
(Billion $, seasonally adjusted)
80
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


500
400
300
200
100
0
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)

7
6
5
4
3
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)


14
12
10
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)

## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

### 1980

| | |
|---|---|
| February 25 | Prime rate raised to 16-1/2 percent. |
| February 27 | Ceilings on interest rates for government backed mortgages raised to 13 percent. |
| February 29 | Prime rate raised to 16-3/4 percent. |
| March 4 | Prime rate raised to 17-1/4 percent. |
| March 7 | Prime rate raised to 17-3/4 percent. |
| March 13 | Prime rate raised to 18-1/4 percent. |
| March 14 | Announcement of tighter fiscal policies. |
| March 17 | Three percent discount rate surcharge imposed. |
| March 18 | Prime rate raised to 19 percent. |
| April 2 | Prime rate raised to 20 percent. |
| April 3 | FHA mortgages raised to 14 percent. |
| April 20 | Prime rate reduced to 19-1/2 percent. |
| April 28 | FHA mortgages reduced to 13 percent. |

### 1980--continued

| | |
|---|---|
| April 28 | Prime rate reduced to 18-1/2 percent. |
| May 5 | Prime rate reduced to 18 percent. |
| May 7 | Prime rate reduced to 17 percent. |
| May 8 | Discount rate surcharge reimposed. |
| May 12 | Prime rate reduced to 16-1/2 percent. |
| May 19 | Prime rate reduced to 16 percent. |
| May 28 | Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent. |
| June 25 | Carpenters strike in Northern California ended. |
| July 3 | ICC begins trucking industry deregulation. |
| July 21-Oct. 23 | Motion picture and television industry strike. |
| July 22 | Prime rate reduced to 11 percent. |
| July 25 | Prime rate reduced to 10-3/4 percent. |

## CHRONOLOGY--Continued

1980--continued

| | |
|---|---|
| July 28 | Discount rate reduced to 10 percent. |
| August 5 | Prime rate raised to 11 percent. |
| August 27 | Prime rate raised to 11-1/2 percent. |
| September 5 | FHA mortgage interest rate raised from 11-1/2 to 12 percent. |
| September 12 | California morgage rate raised from 13-1/2 percent to 13-3/4 percent. |
| September 25-Nov. 14 | Pacific Southwest Airlines (PSA) pilots strike begins. |
| September 26 | Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent. |
| October 2 | Prime raised from 13 to 13-1/2 percent. |
| October 3 | Prime raised to 14 percent. |
| October 15 | AFTA workers return to work. |
| October 30 | Prime raised from 14 to 14-1/2 percent. |
| November 7 | Prime raised from 14-1/2 to 15-1/2 percent. |
| November 17 | Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed. |
| November 21 | Prime raised to 17 percent. |
| November 28 | Prime raised to 17-3/4 percent. |

1980--continued

| | |
|---|---|
| December 3 | Prime raised from 17-3/4 to 18-1/2 percent. |
| December 5 | Discount rate raised from 12 to 13 percent. Prime raised to 19 percent. |
| December 11 | Prime raised to 20 percent. |
| December 17 | Prime raised from 20 to 21 percent. |
| December 23 | Prime lowered from 21 to 20-1/2 percent. |

1981

| | |
|---|---|
| January 1 | Minimum wage raised from $3.10 to $3.35. |
| January 6 | Prime lowered to 20 percent. |
| January 20 | American hostages released from Iran. |
| January 20 | Ronald Reagan inaugurated as 40th President of the U.S. |
| January 28 | Deregulation of oil and gas industry announced, effective immediately. |
| January 29 | Prime rate lowered to 19-1/2 percent from 20 percent. |
| February 16 | General Motors and Ford rebate plans announced. |
| February 23 | Prime rate lowered to 18 percent. |
| March 2 | Prime rate lowered to 18-1/2 percent. |
| March 10 | Prime rate lowered to 18 percent. |
| March 16 | Prime rate lowered to 17-1/2 percent. |

## CHRONOLOGY--Continued

1981--Continued

| | |
|---|---|
| March 18 | Prime rate lowered to 17 percent. |
| March 26-June 8 | United mine workers strike. |
| April 13 | Prime rate raised to 17-1/2 percent. |
| April 29 | Prime rate raised to 18 percent. |
| May 4 | Prime rate raised to 19 percent. |
| May 5 | Discount rate raised from 13 percent to 14 percent. |
| May 8 | FHA-VA rate up to 15-1/2 percent from 14-1/2 percent. |
| May 11 | Prime rate raised to 19-1/2 percent. |
| May 22 | Prime rate raised to 20 percent. |
| May 27 | OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level. |
| June 5 | Dollar reaches highest level in international trading since December 1971. |
| July 8 | Prime rate raised to 20-1/2 percent. |
| August 3-Jan. 17, 1986 | Professional Air Traffic Controller's Organization strike. |
| August 14 | President Reagan signs both the tax- and budget-cut bills into law. |
| August 18 | FHA-VA rate up to 16-1/2 percent from 15-1/2 percent. |

1981--Continued

| | |
|---|---|
| September 1 | Prime rate lowered to 20 percent. |
| September 21 | Prime rate lowered to 19-1/2 percent. |
| September 22 | Fed surcharge cut to 3 percent from 4 percent. |
| October | Introduction of All Savers Certificates to stimulate savings. |
| October 6 | Prime rate lowered to 19 percent. |
| | Egyptian President Sadat assassinated. |
| October 13 | Prime rate lowered to 18 percent. |
| October 30 | OPEC price set at $34.00/barrel--the Saudi benchmark. |
| November 1 | Passbook interest rate raised 1/2 percent to 5-3/4 percent. |
| November 2 | Fed discount rate cut from 14 percent to 13 percent. |
| | Prime rate lowered to 17-1/2 percent. |
| November 10 | Prime rate lowered to 17 percent. |
| November 13 | Prime rate lowered to 16-1/2 percent. |
| | FHA mortgage rate lowered to 15-1/2 percent. |
| November 16 | Prime rate lowered to 16 percent. |

## CHRONOLOGY--Continued

1981--continued

| | |
|---|---|
| November 17 | Fed eliminates 2 percent surcharge. Discount rate unaffected. |
| December 1 | Prime rate lowered to 15-1/2 percent. |
| December 4 | Fed discount rate lowered from 13 percent to 12 percent. |
| December 12 | Martial law imposed in Poland. |

1982

| | |
|---|---|
| January 22 | Federal funds rate raised to 13-1/2 percent. |
| January 25 | FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent. |
| February 2 | Prime rate raised to 16-1/2 percent by Citibank and Crocker. |
| February 18 | Prime rate increased to 17 percent. |
| February 24 | Prime rate cut to 16-1/2 percent. |
| March 1 | Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises. |
| March 8 | Prime rate lowered to 16 percent. |
| March 16 | Prime rate back up to 16-1/2 percent. |
| April 1 | OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels. |
| April 5 | Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975. |
| April 12 | General Motor and United Auto Workers labor agreement approved. |
| April 26 | The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century. |
| May 7 | U.S. unemployment rate reaches 9.4 percent for a post-WW II record. |
| May 13 | Braniff Air Lines ceases operation. |
| June 25 | Secretary of State Alexander Haig resigns. |
| June 28 | U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts. |
| July 20 | Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent. |
| July 27 | Prime rate lowered to 15-1/2 percent. |
| August 2 | Discount rate lowered to 11 percent. Prime rate lowered to 15 percent. |
| August 9 | Unemployment rate reached 9.8 percent in July--the |

## CHRONOLOGY--Continued

1982--Continued

highest level since a 9.9 percent rate in 1941.

August 16 — Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.

August 18 — Dow Jones Industrial Average rose 38.81 points--an all-time record.

August 19 — The stock market trading soared to a record 132,690,000 shares.

August 27 — Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

November 23 — Prime rate lowered from 12 percent to 11-1/2 percent.

December 13 — Discount rate cut to 8-1/2 percent.

December 14 — Introduction of money market deposit accounts by banks and S&Ls.

### 1983

January 5 — Super NOW accounts introduced.

January 11 — Prime rate lowered to 11 percent.

January 31 — Independent truckers strike begins.

February 10 — Independent truckers strike ends.

February 15 — Toyota/GM agreement to build a small car in late 1984.

1983--Continued

February 25 — Prime rate lowered to 10-1/2 percent.

March 14 — OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.

May 2 — An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.

June 8 — The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.

June 18 — Paul Volcker reappointed as Federal Reserve Board Chairman.

June 24 — The Federal Budget deficit totalled a record $29.29 billion in May.

July 7 — The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.

July 13 — Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.

July 25 — The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.

August 1 — California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong

## CHRONOLOGY--Continued

1983--Continued

| | |
|---|---|
| | investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed. |
| August 2 | The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent. |
| August 7-August 28 | The Communications Workers of America and two other unions strike AT&T. |
| August 8 | Prime rate raised from 10-1/2 percent to 11 percent by most major banks. |
| August 23 | The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent. |
| September 1 | Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan. |
| November 1 | Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent. |
| November 3-December 21 | Strike against Greyhound Lines Inc. |
| December 1 | FHA mortgage interest rates begin to float. VA rates are still pegged. |

1984

| | |
|---|---|
| January 3 | Breakup of AT&T becomes effective. |
| February 2 | Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions. |

1984--Continued

| | |
|---|---|
| March 19 | Prime rate raised from 11 percent to 11-1/2 percent. |
| March 20 | Maximum rate on VA loans raised from 12-1/2 to 13 percent. |
| April 4 | Prime rate raised from 11-1/2 percent to 12 percent. |
| April 9 | Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years. |
| May 5 | Prime rate raised from 12 percent to 12-1/2 percent. |
| June 26 | Prime rate raised from 12-1/2 percent to 13 percent. |
| September 3 - December 7 | Hotel and restaurant strike - San Francisco. |
| September 15-October 14 | UAW-General Motors strike. |
| September 28 | Prime rate reduced from 13 percent to 12-3/4 percent. |
| October 16 | Prime rate reduced from 12-3/4 percent to 12-1/2 percent. |
| October 28 | Prime rate reduced from 12-1/2 percent to 12 percent. |
| November 7 | Prime rate reduced from 12 percent to 11-3/4 percent. |
| November 21 | Discount rate reduced from 9 percent to 8-1/2 percent. |
| November 28 | Prime rate reduced from 11-3/4 percent to 11-1/4 percent. |
| December 17 | Prime rate reduced from 11-1/4 percent to 10-3/4 percent. |

## CHRONOLOGY--Continued

1984--Continued

| | |
|---|---|
| December 24 | Discount rate reduced from 8-1/2 percent to 8 percent. |

### 1985

| | |
|---|---|
| January 1 | Federal price controls removed from approximately half of the natural gas produced in the United States. |
| January 15 | Prime rate reduced from 10-3/4 percent to 10-1/2 percent. |
| March 9 | Home State Savings Bank Cincinnati, Ohio closed. |
| March 15 | Seventy Ohio thrift institutions closed to prevent run on deposits. |
| March 25 | Maximum rate on VA loans raised from 12-1/2 percent to 13 percent. |
| May 2 | Auto manufacturer's initiate low interest loan programs. |
| May 17-June 14 | United Airlines--Air Pilots Association strike. |
| May 17 | Prime rate reduced from 10-1/2 percent to 10 percent. |
| May 20 | Dow Jones Industrials close above 1,300 for the first time. |
| May 29 | Presidents' tax reform plan unveiled. |
| June 18 | Prime rate reduced to 9-1/2 percent from 10 percent. |
| July 16 | Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979. |

1985--Continued

| | |
|---|---|
| July 22-October 16 | 8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years. |
| August 15 | GM announces 7.7 percent financing rate program to run through October 2nd. |
| August 20 | Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos. |
| September 4 | The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio. |
| September 15 | A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect. |
| September 16 | Saudi Arabia announces plans to boost oil production and cut prices. |
| September 22 | G-5 agreement to push the dollar lower. |
| November 7 | Dow Jones Industrials close above 1400 for the first time. |
| December 10 | World oil prices fall by more than a dollar after OPEC decides to abandon price supports. |
| December 12 | President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991. |

## CHRONOLOGY--Continued

1985--Continued

| | |
|---|---|
| December 23 | President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System. |

**1986**

| | |
|---|---|
| January 1 | Ceiling on Super NOW accounts was removed. |
| January 17 | United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history. |
| January 28 | Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died. |
| February 26 | Corazon Aquino takes over Phillipines as the new president. |
| March 3 | Dow Jones Industrials close above 1700 for the first time. |
| March 4 | Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years. |
| | Oil prices fall to $12 per barrel. |
| March 7 | The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan. |
| March 10 | Prime rate cut to 9 percent from 9-1/2 percent. |
| March 21 | Dow Jones Industrials close above 1800 for the first time. |
| | Conservative Chirac appointed as Prime Minister of France. |

1986--Continued

| | |
|---|---|
| March 25 | U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra. |
| April 1 | Interest ceilings on passbook saving accounts ended. |
| | Oil prices fall to under $11 per barrel. |
| April 14 | U.S. air strike against Libya. |
| April 21 | U.S. Dollar reaches a post-WWII low against the Yen at 168.60. |
| | Discount rate cut from 7 percent to 6-1/2 percent. |
| | Prime rate cut to 8-1/2 percent from 9 percent. |
| April 23 | Paul Volcker warns of public and private debt buildup as a threat to the economy. |
| April 25 | Soviet nuclear plant at Chernobyl destroyed by fire. |
| May 12 | U.S. dollar falls to 159.95 Yen. |
| May 22 | U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada. |
| June 1-June 26 | CWA strike at AT&T. |
| July 7 | The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional. |

## CHRONOLOGY--Continued

1986--Continued

| | |
|---|---|
| July 7 | The Dow Jones Industrial average was down a record 61.87 points. |
| July 10 | The Fed lowered the discount rate from 6-1/2% to 6%. |
| July 11 | Prime rate cut to 8 percent from 8-1/2 percent. |
| July 20 | Prime rate cut to 7-1/2 percent. |
| August 1 | United steelworkers strike for the first time since 1959. 44,000 workers were involved. |
| August 20 | The discount rate was reduced from 6 percent to 5-1/2 percent. |
| August 27 | The prime rate was cut to 7-1/2 percent from 8 percent. |
| August 28 | General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent. |
| September 4 | Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17. |
| September 5 | California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income. |
| September 11 | The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89. |

1986--Continued

| | |
|---|---|
| October 22 | President Reagan signs the tax reform bill into law, the first full scale remodification since 1954. |
| October 27-December 13 | Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike |
| November 1 | The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only. |

1987

| | |
|---|---|
| January 1 | California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction. |
| | Fannie Mae raises mortgage ceiling to $153,100 from $133,250. |
| | OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel. |
| January 8 | The Dow Jones Industrial average topped the 2000 mark. |
| January 19 | The Dow Jones Industrial average topped the 2100 mark. |
| | The California Trade Office opened in Tokyo. |
| | The dollar fell to a record low against the yen--150.49 yen to the dollar. |

## CHRONOLOGY--Continued

1987--Continued

| | |
|---|---|
| January 22 | The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67. |
| February 5 | Brazil suspends interest payments on commercial debt. |
| | The Dow Jones Industrial average topped the 2200 mark. |
| March 5 | Ecuador is rocked by severe earthquake. |
| March 16 | Fannie Mae announces it will not enter home equity loan market. |
| March 20 | The Dow Jones Industrial average topped the 2300 mark. |
| March 24 | U.S. dollar falls to post WW II low--148.5 yen to the dollar. |
| April 1 | The prime rate increased from 7-1/2 to 7-3/4 percent. |
| April 6 | The Dow Jones Industrial average topped the 2400 mark. |
| April 13 | The California Trade Office opened in London. |
| May 1 | The prime rate was increased from 7-3/4 percent to 8 percent. |
| May 5 | Immigration amnesty program in effect. |
| May 7 | The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury. |

1987--Continued

| | |
|---|---|
| May 15 | The prime rate was increased to 8-1/4 percent from 8 percent. |
| May 17 | The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf. |
| June 1 | Penalties in place for employers of illegal aliens. |
| July 17 | Dow Jones Industrials close over 2,500 for the first time. |
| July 22 | Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf. |
| August 10 | Dow Jones index closes over 2,600 for 1st time. |
| August 11 | Alan Greenspan sworn in as Chairman of the Federal Reserve Board. |
| August 17 | Dow Jones index closes over 2,700 for 1st time. |
| September 4 | Discount rate raised from 5-1/2 percent to 6 percent. |
| | Prime rate raised from 8-1/4 percent to 8-3/4 percent. |
| October 1 | Severe earthquake hits Southern California. Epicenter near Whittier. |
| October 7 | Prime rate raised from 8-3/4 percent to 9-1/4 percent. |
| October 14 | Dow Jones Industrials fall a record 95 points. |
| October 15 | Dow Jones Industrials down 58 points. |
| October 16 | Dow Jones Industrials down a record 108 points. |

## CHRONOLOGY--Continued

1987--Continued

| | |
|---|---|
| October 19 | Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points. |
| October 21 | Dow up a record 187 points. |
| October 22 | Prime rate cut to 9 percent from 9-1/4 percent. |
| November 2 | Dollar falls to 40 year low of 136.95 Yen. |
| November 5 | Prime rate cut to 8-3/4 percent from 9 percent. |
| November 23-November 24 | Severe earthquakes hit Imperial County. |
| November 30 | Dollar hits postwar lows against Yen and Mark. |

1988

| | |
|---|---|
| February 3 | Prime rate cut to 8.5 percent from 8.75 percent. |
| March 7-August 7 | Television writers strike. |
| May 12 | Prime rate raised from 8.5 percent to 9 percent. |
| July 1 | California's minimum wage raised from $3.35 to $4.25. |
| July 3 | U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf. |
| July 14 | Prime rate raised from 9 percent to 9-1/2 percent. |
| August 9 | Discount rate raised from 6 percent to 6-1/2 percent. |

1988--Continued

| | |
|---|---|
| August 11 | Prime rate raised from 9-1/2 percent to 10 percent. |
| November 28 | Prime rate raised from 10 percent to 10-1/2 percent. |
| December 8 | Severe earthquake hits Soviet Armenia; death toll more than 100,000. |
| December 21 | Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash. |

1989

| | |
|---|---|
| February 10 | Prime rate raised from 10-1/2 percent to 11 percent. |
| February 24 | Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent. |
| March 4 | International Association of Machinists strike against Eastern Airlines. |
| March 24 | Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil. |
| June 5 | Prime rate cut from 11-1/2 percent to 11 percent. |
| July 10 | Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent. |
| July 19 | DC-10 crashes at Sioux City; hydraulic systems failure cited as cause. |
| July 31 | Most major banks cut prime rate to 10-1/2 percent. |

## CHRONOLOGY--Continued

1989--Continued

| | |
|---|---|
| September 21 | Hurricane Hugo hits the Carolinas causing extensive property damage. |
| October 4-November 20 | International Association of Machinists strike Boeing. |
| October 17 | Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area. |
| November 30 | October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989. |

1990

| | |
|---|---|
| January 8 | Prime rate cut from 10-1/2 percent to 10 percent. |
| January 15 | Campeau Corp. files for Chapter 11 bankruptcy-law protection. |
| February 13 | Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection. |
| March 2 | Amalgamated Transit Union strikes Greyhound Lines, Inc. |
| April 1 | Federal minimum wage raised from $3.35 to $3.80. |
| July 27 | Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent. |
| August 2 | Iraq invades Kuwait. |
| September 9 | California population reaches 30 million according to California Department of Finance. |

## REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

| Initial Trough | | Peak | | Terminal Trough | | Expansion (months) | Contraction (months) | Total (months) |
|---|---|---|---|---|---|---|---|---|
| Dec. | 1854 | June | 1857 | Dec | 1858 | 30 | 18 | 48 |
| Dec. | 1858 | Oct. | 1860 | June | 1861 | 22 | 8 | 30 |
| June | 1861 | April | 1865 | Dec. | 1867 | 46 | 32 | 78 |
| Dec. | 1867 | June | 1869 | Dec. | 1870 | 18 | 18 | 36 |
| Dec. | 1870 | Oct. | 1873 | March | 1879 | 34 | 65 | 99 |
| March | 1879 | March | 1882 | May | 1885 | 36 | 38 | 74 |
| May | 1885 | March | 1887 | April | 1888 | 22 | 13 | 35 |
| April | 1888 | July | 1890 | May | 1891 | 27 | 10 | 37 |
| May | 1891 | Jan. | 1893 | June | 1894 | 20 | 17 | 37 |
| June | 1894 | Dec. | 1895 | June | 1897 | 18 | 18 | 36 |
| June | 1897 | June | 1899 | Dec. | 1900 | 24 | 18 | 42 |
| Dec. | 1900 | Sept. | 1902 | Aug. | 1904 | 21 | 23 | 44 |
| Aug. | 1904 | May | 1907 | June | 1908 | 33 | 13 | 46 |
| June | 1908 | Jan. | 1910 | Jan. | 1912 | 19 | 24 | 43 |
| Jan. | 1912 | Jan. | 1913 | Dec. | 1914 | 12 | 23 | 35 |
| Dec. | 1914 | Aug. | 1918 | March | 1919 | 44 | 7 | 51 |
| March | 1919 | Jan. | 1920 | July | 1921 | 10 | 18 | 28 |
| July | 1921 | May | 1923 | July | 1924 | 22 | 14 | 36 |
| July | 1924 | Oct. | 1926 | Nov. | 1927 | 27 | 13 | 40 |
| Nov. | 1927 | Aug. | 1929 | March | 1933 | 21 | 43 | 64 |
| March | 1933 | May | 1937 | June | 1938 | 50 | 13 | 63 |
| June | 1938 | Feb. | 1945 | Oct. | 1945 | 80 | 8 | 88 |
| Oct. | 1945 | Nov. | 1948 | Oct. | 1949 | 37 | 11 | 48 |
| Oct. | 1949 | July | 1953 | May | 1954 | 45 | 10 | 55 |
| May | 1954 | Aug. | 1957 | April | 1958 | 39 | 8 | 47 |
| April | 1958 | April | 1960 | Feb. | 1961 | 24 | 10 | 34 |
| Feb. | 1961 | Dec. | 1969 | Nov. | 1970 | 106 | 11 | 117 |
| Nov. | 1970 | Nov. | 1973 | March | 1975 | 36 | 16 | 52 |
| March | 1975 | Jan. | 1980 | July | 1980 | 58 | 6 | 64 |
| July | 1980 | July | 1981 | Nov. | 1982 | 12 | 16 | 28 |

## SOURCES OF STATISTICAL SERIES

| | |
|---|---|
| Employment Development Department<br>Employment Data and Research | Civilian employment<br>Unemployment<br>Unemployment rate<br>Hours and earnings<br>Initial claims for unemployment insurance<br>Insured unemployment, average weeks claimed |
| Department of Industrial Relations<br>Division of Labor Statistics and Research | California consumer price index |
| Department of Finance | Personal income<br>Wages and salaries<br>Nonagricultural employment<br>Manufacturing employment |
| Department of Motor Vehicles | New auto registrations |
| State Board of Equalization | Taxable sales |
| U.S. Department of Commerce | Retail sales<br>Housing units authorized<br>Construction valuation |
| U.S. Bureau of Labor Statistics | Consumer price indices |
| U.S. Department of Energy | Electricity production |
| U.S. Department of Defense | Prime defense contracts |
| Conservation Committee of California Oil Producers | Petroleum production |
| U.S. Bureau of Mines | Cement production |
| California Secretary of State | New business incorporations |
| Coldwell Banker | Vacancy rates |
| California Association of Realtors | Existing family home data |
| Construction Industry Research Board | Housing units authorized<br>Construction valuation |